A Happy New Year to All

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 180 Number 5390 New York 7, N. Y., Thursday, December 30, 1954 Price 40 Cents a Copy

EDITORIAL

As We See It

Apparently, the whole question of freer international trade versus protectionism is to come up for a further airing early next year. The President's efforts to get decisive action in this area last year failed but it gave rise to an extended discussion of the subject, including the so-called Randall report which has been the subject of a good deal of argument but which seems to date to have had little other effect. Generally speaking, it was, of course, the so-called "Old Guard" Republican elements in the President's party (which are and always have been protectionists) which are primarily responsible for the stalemate although it is well known that the Democratic party is no longer a real advocate of free trade.

Now that this subject is up for further debate, let us hope that those who must decide the issue (or more accurately the issues) involved will bring to their deliberations a full realization that this problem is by no means the simple one that it is sometimes said to be. It is one thing to advocate, indeed to insist upon, relatively free trade internationally along with a free economy at home; it is quite another to suppose that anything approaching free trade internationally is compatible with a closely managed economy within each of the major countries of the world. It was Lord Keynes (then Mr. Keynes) who was probably the most influential advocate of what is now known as governmentally managed economies. He could in a very real sense be termed the father of our so-called full employment legislation.

But Mr. Keynes and most of his followers well understood that such an economy "in one

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Experts Predict Moderate Business Recovery in 1955

Holding that cycle's turning point has been reached, Conference Board panel forecasts sustained rises in industrial production and Gross National Product, accompanied by continued price stability. $2 to $3 billion increase in new construction expected. Longer-term trend of defense spending and agricultural income are cited as weak sectors of the economy.

A moderate but sustained business recovery throughout 1955 is seen by a majority of distinguished economists participating in the latest "Evening with the Economists" held under the auspices of the National Industrial Conference Board. The consensus of the Economic Forum, whose views were released Dec. 21, is that 1955 may not be the highest year of economic activity but it could well replace 1954 as our second best year.

John S. Sinclair

The Economic Forum viewing 1955 prospects was under the chairmanship of John S. Sinclair, President, The Conference Board. Mr. Sinclair, in commenting on the session, stated that this was the ninth year that The Conference Board has sponsored Forum discussions on the business outlook, and that in the main the results have been gratifyingly accurate. He pointed out the notable improvement in the tools which are available today to the economist in making his forecasts. However, he joined with the members of the Forum group in stressing the unavoidable limitations of forecasting arising from unforeseen national or international developments.

Guests participating in the Forum's Business Outlook session included: **R. S. Alexander**, Professor of Marketing, Columbia University; **Richard P. Doherty**, President, Television - Radio Management Corporation; **John T. Dunlop**, Professor of Economics, Harvard University; C.

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A Midwest Banker Looks Ahead

By R. CROSBY KEMPER*

President, City National Bank & Trust Company, Kansas City, Missouri

Mr. Kemper, in commenting on favorable business predictions, points out between now and the Presidential election year of 1956, it is likely the government will make every effort to bolster the economy and relieve unemployment, and this means relatively easy credit and freer governmental spending. Looks for a huge program of public works, accompanied by high taxes. Warns all business, including banking, is plagued by the specter of rising costs and increasing competition. Concludes there will be no boom in 1955, but there will be confidence in a stable economy.

What horizons lie ahead? A growing number of businessmen and industrial leaders are more optimistic in their outlook. Forecasts of excellent output and increasing sales are coming in from steels, motors, petro-chemicals, glass, television, electrical appliances; and the textile industry, which has been lagging, is starting to improve. Probably not many expect any great rise in personal income or industrial output in 1955, but there are many encouraging signs appearing everyday to maintain confidence in a stable economy. The forces which are favorable to long-term business stability are improved standards of living; a rapidly increasing population (U. S. population is growing at the rate of one new person every 12 seconds); new inventions; the emergence of new products; increasing research in all lines of business (industry has spent $10 billion the last 10 years for this important business stimulus); and

R. C. Kemper

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*An address by Mr. Kemper before the Seventh National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 17, 1954.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 33.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Snyder Tool and Engineering Co.—George C. Astarita, Boettcher & Co., Colorado Springs, Colo. (Page 2)

Baltimore & Ohio Common—Andrew L. Childs, Vice-President, A. W. Benkert & Co., Inc., New York City. (Page 2)

GEORGE C. ASTARITA
Boettcher & Co., Colorado Springs, Colo.

Snyder Tool and Engineering Company

There are three companies in what can be truly called the "automation" field whose stocks are available to the public. They are: The Cross Company, Foote-Burt and *Snyder Tool and Engineering*. Under the impetus of what amounts to a small industrial revolution, the stocks of the first two companies have appreciated approximately

George C. Astarita

600% during the past 18 months. During the same period, Snyder Tool has advanced only a few points to its present price of $14. Because all three companies are enjoying a large expansion of business as the result of technological advancement contained within the automation field, it would seem that Snyder Tool, at this time, is underpriced relative to its competitors. The writer strongly recommended Cross before its big advance and he now feels that Snyder should be purchased by those willing to purchase a company whose past record is not impressive but whose future may well prove dynamic.

Snyder Tool is a well-established company and has pioneered in the field of automation. It designs and builds machines which perform complex and difficult operations automatically and with minute accuracy. In effect, Snyder is a large contributor to the creation of push button factories. Because of the prevailing high wage scale in the United States, the trend today is more and more toward the use of fully automatic machinery. As a result, Snyder, along with its competitors, is enjoying expanding sales, with the prospect of still greater prosperity for the future. Its metal working machinery, producing virtual automaticity, is used by such industrial giants as General Motors, Ford, Chrysler, International Harvester, U. S. Steel and Bethlehem Steel.

In addition to automatic machinery, Snyder owns the Arthur Colton Company, a 70-year-old leader in designing and manufacturing machines for pharmaceutical and packaging use throughout the world. Here, too, automation is to be found through the creation of labor-saving devices. Since acquiring this division in 1949, Snyder has completely redesigned and modernized all products, with the result that approximately 90% of all collapsible tubes used today are filled and processed on Colton machines. Colton maintains representatives in all major cities and in 40 foreign countries.

Sales have increased from less than $1,400,000 in 1940 to over $9 million in 1954, thus demonstrating an exceptional growth factor. Sales in 1953 were adversely affected by a strike. Near record 1954 sales were established despite a continuance of the same strike which virtually suspended all operations for a five-week period. Earnings of $1.50 per share for the 1954 fiscal year were adversely affected by the strike but those for the first six months of the new fiscal year should approach $1.25 per share. Dividends totaling 60 cents per share per year should be maintained but expanding sales will probably defer any immediate increase.

Snyder's balance sheet would appear to be in good condition and as of June 30, indicated a net working capital of $1,552,201, amounting to $7.13 per share of stock on a sole capitalization of 217,620 shares of capital stock. Property, plant and equipment account was carried at approximately $841,000 after accumulated depreciation of $763,000. Book value of approximately $2,400,000 amounted to $11.00 per share.

With automation apparently in its infancy and the Arthur Colton division possessing the probability of profitable and stable earnings as the result of serving an ever growing pharmaceutical field, it would seem that Snyder holds attraction for future growth. The stock, traded in the Over-the-Counter market, most certainly has not reflected the tremendous interest registered in automation during the past two years and for that reason may prove to be an exceptional speculative value.

ANDREW L. CHILDS
Vice-President, A. W. Benkert & Co., Inc., New York City

Baltimore & Ohio Common

So much has been written lately about Baltimore & Ohio Railroad that there seems almost no excuse for amplifying the bald statement that the common stock of this road is the security I like best.

A. L. Childs

For years it was a price speculation bought with the hope that the next buyer would come along and pay a little more. But gradually the stock seems to have been accumulated in larger blocks and for longer-term holding.

The trouble with B. & O. common is not that earnings have been poor, but that they have fluctuated widely because of huge prior charges. Also, these earnings have not, and still are not available for dividends.

Baltimore & Ohio's 1944 debt adjustment plan, still in effect, provides for the allocation of a large part of each year's earnings to capital and sinking funds, placing definite restriction on the payment of dividends. Thus out of 1953 earnings of $10 per share, $3.31 per common share was earned after funds and before common dividends. Since an amount equal to any common dividend paid must also be paid into the surplus income sinking fund, this meant in effect that only $1.50 per share was available to pay out, although $10 had been earned. The 1953 dividend was $1 per share and this amount was repeated this year although actual earnings available therefor were probably 60c to 75c per share, out of some $6 or $7 of estimated earnings before funds.

Fixed charges have been drastically reduced since 1944 and are nearing the point where some of the sinking fund restrictions will be reduced. Management's obvious desire to run the railroad for the stockholders may result in a complete debt refunding in the near future which would remove all such restrictions. The imminence of this move is my primary reason for preferring B. & O. common over all other common stocks available in the market.

There are two other reasons. One is the outstanding job of management in cost control. Examples of this program and the flexibility thereby given to operations are numerous. For instance, in 1951—an unfavorable year for rails generally—net income of B. & O. rose 32% over 1950 which had been a good year for rails as a whole. Also despite a big loss of traffic during the steel industry disruption in 1952, operations were kept on a profitable basis each month and full-year net income was up 4[illegible]%. In 1954 with an estimated drop in gross of $80 million, decline in net income was held to approximately $11 million.

Next year, with steel operations indicated at 80% of capacity, or more, as compared with under 70% in the early months of 1954, traffic levels are expected to advance and B. & O. has shown the ability to turn such advances into common stock earnings.

Furthermore, Baltimore & Ohio has a large beneficial interest in the Western Maryland and, for all practical purposes controls Reading Co., too. From these affiliates, substantial traffic is received. B. & O. also takes down large "other income" in the form of dividends. Since neither of these associate roads pays out a large percent of average earnings in the form of dividends, B. & O. has a considerable source for additional earnings. For example, in 1953 B. & O.'s equity in undistributed earnings of these two roads amounted to some $7.7 million or additional earnings of $3 per share of Baltimore & Ohio common stock. This is a factor of hidden strength in earnings.

Last, but not least, the territory served by Baltimore & Ohio is entering into a new growth era. The Ohio River Valley has natural advantages for utility power installations and large manufacturing plants. The important traffic benefits from the billion dollar gaseous diffusion plant to be located on the Scioto River is just one example of the effect on B. & O. of the accelerating industrialization of this area. In 1953 alone some 4,000 acres of land along the company's right of way were developed for industry. New industries and expansions were installed sufficient to add 160,000 carloads, or more, per annum. Among new industries was a $50 million petro-chemical plant. Limestone and gypsum deposits and other natural resource developments are also progressing but no exact estimates of tonnage are available.

Another indication of vitality is that Baltimore & Ohio has increased its coal haulage in face of a general shrinkage in overall coal production. New fields in West Virginia and developments in older fields have increased coal tonnage from 43,400,000 tons in 1941 to 49,300,000 in 1953. This represents an increase from 8½%

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Will Argentina's New Investment Law Attract Foreign Capital?

By LOUIS ANDRE FERNANDEZ
Fernandez and Shea, Esq., Washington, D. C.

Mr. Fernandez traces the background and substance of the basic foreign investment law enacted by Argentina in August, 1953. Points out law limits the nature of foreign investment and is not free from restrictions on repatriation of capital and profit-remittances. Concludes, on a short-term basis, at least, a new enterprise is likely to benefit from the system of protection given under the law to basic industries in Argentina.

A number of respectable foreign trade journals in the U. S. have pondered whether the recent Argentine Foreign Investment Law will actually attract foreign capital.

Louis A. Fernandez

These journals until recently have made note that old foreign investors in Argentina have not been permitted to remit profits in the past few years and wonder whether in view of this situation, the Argentine Government can interest foreign capital in new ventures.

The Argentine Government as yet has not solved the question of the old investor, but it is apparent that some businessmen of the U. S. and other countries are giving consideration to Argentina as a field for foreign investment. According to recent press reports and to statements of the Argentine Secretary of Economic Affairs, sizable foreign capital investment projects, including several from the U. S., have been proposed and approved or are being given favorable consideration. One of these is a $10 million investment in automobile manufacturing by the Kaiser interest; another is an $800,000 investment in a plastic factory by Monsanto Chemical; and a third is an investment by one of the Standard Oil Companies for the enlargement of a petroleum products plant. Still others are an investments of $1 million each by an Italian firm in gear parts manufacture and by a German firm in plow parts manufacture; and other German firms are interested in projects for the manufacture of cement, tractors, and tele-communications equipment. Since the passage of the Foreign Investment Law in August 1953, seven investment proposals from the U. S. and Europe had been approved and 15 more were being processed, as of Oct. 27, 1954.

The factors which have motivated these investors probably do not fit a neat pattern. Some of these firms, having facilities for work abroad, may have recognized that the market possibilities and potential in Argentina could not be ignored, and decided to jump in now when some of their competitors are standing off.

Whether this trend would continue is a moot point. Much would depend on whether Argentina will continue to stand up competitively with other countries as a source for foreign capital investment, as apparently it has done in the case of the companies which are in the process of investing now. Flexibility of application of the present law and positive steps by Argentina to condition investment climate, when and as the need arises, are most important. If the investment climate is not sufficiently favorable, it is obvious that exportable, profit-seeking private capital will either stay home or move into the more favorable foreign area.

In the light of the revived interest in the subject of Argentina as a source of foreign investment there are given hereunder some background, and the main points of the Argentine Foreign Investment Laws.

Background

Before entering into an explanation of the Argentine foreign investment laws, a few observaions and clairifactions respecting their content and purpose, as given by the Argentine Ministers of Economic Affairs and Finance at a press conference held in Buenos Aires on Oct. 16, 1953, may prove helpful.

On this occasion, it was explained that the laws were designed to attract foreign capital which would aid in the development of basic industries in the country and not capital interested in speculation or simply for trading-commercial activities. The investments which would qualify would be those consonant with the country's five year plan, and which directly or indirectly would create or save foreign exchange. A point was made that the flow of incoming foreign investment had to be regulated in this manner so that the country would not find itself at a later date unable to make good on the remittance and repatriation of capital provisions of the law. It was pointed out that the law had reference to new investments, but that by a liberal interpreation, the regulatory decree of the law gave authority to permit firms with foreign investments already in the country to reinvest certain amounts of unremitted profits as new capital, if the new investments were to meet the tests of the new laws.

When queried about the subject of foreign investment participation in fields reserved by the Argentine Constitution of the State, such as petroleum, and fields in which by law the Argentine Government is conducting certain business activities, it was made

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, December 30, 1954

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Thomas A. Edison, Inc.—And a New Generation of Progress in Phonics and Electronics

By IRA U. COBLEIGH

Enterprise Economist

A timely look at a company bearing one of the most famous names in science and invention, and still translating new ideas into progress and profit.

This 75th year since the invention of the electric light by Thomas A. Edison is surely a timely occasion for a salute to the company which is carrying on his name, and developing a new corporate prestige and stature of which the founder might well be proud.

Ira U. Cobleigh

In 1896 Thomas A. Edison, Incorporated, was formed primarily for the manufacture of items stemming from invention. For some years these activities seemed perhaps more scattered than diversified — they even included a cement plant (sold some years ago) which seemed a little out of character among electric generators and recording machines. In 1949, however, a new management took the helm here, and has done an excellent job of streamlining and coordinating research and production; sloughing off unprofitable or unpromising lines, and moving ahead in fields in which the Edison name has been traditionally renowned. Today, under the presidency of Mr. Henry C. Riter, Jr., distinguished investment banker and industrialist (and just elected President of National Association of Manufacturers), the company is advancing on all fronts. Let's take a quick panorama.

Little did Edison know when he invented the phonograph that there would be today millions of platters of "White Christmas" played in myriad homes, diners and bar-grills; and that a whole stable of disc jockies would be projecting onto the ether such diverse artists as Spike Jones and Toscanini. As a matter of fact, when Edison turned out the first phonograph, what he really was looking for was a dictation machine, and although records and the recording machine industry has grown fabulously in the interim, dictation machines are now coming into their own; and the Edison company is today up front with two products, the Edison Televoice and the newer VP Edison Voicewriter.

The immense amount of paper work in our modern life, plus secretarial shortages and the increased wages of stenographers, have made dictating equipment a big business. The Edison Televoice does it wholesale, as it were. Televoice is somewhat like a telephone and easily used. It doesn't require attention to details such as the handling of discs, and it instantaneously delivers the dictation to a centrally located recording instrument. A network of dictating phones can serve a number of dictators. (Business executives, not government monopolists!) This Edison Televoice is definitely a most successful dictating system in a highly competitive field.

As its second major product in the transmission of the spoken word, Edison has its VP Voicewriter, an amazing portable dictating machine which weighs but 12 pounds and can be carried anywhere. It looks like a book, has won two national awards for excellence and is a golden boon to all who talk as they travel. It's a uniquely successful instrument.

The Ediphone Division employs over 300 salesmen in 75 offices across the land to sell these dictating machines, supported by aggressive advertising and sales promotion. You might say Ediphone is carrying on the sound program of the founder.

The second manufacturing unit of Thomas A. Edison Inc. (there are seven altogether) we'd like to talk about is the storage battery. Here again the genius of Edison started it off; and you probably remember back around 1910, elderly and opulent ladies zooming around town at eight miles an hour in black caboose-like electric cars. Well, these were driven by Edison storage batteries; and the Edison company is still turning 'em out, but of a different sort. The company has discontinued lead-acid automobile, and dry cell batteries, and concentrates on the Edison Nickel-Iron Storage battery, widely useful for industrial material handling trucks, mine locomotives, in railway car lighting, and in air conditioning. These batteries are wonderfully dependable (so much so they're used on miners' caps) and, unlike other batteries, they can discharge their energy completely without being harmed.

There's another battery turned out called a "Carbonaire," a wet cell primary battery, within a hard rubber case. This has special uses, among them for powering railway switch lamps, replacing the traditional oil-burning ones (less maintenance).

There are two divisions that can be discussed together — the Instrument Division and Measurements Corporation. The first has majored in indicating and alarm systems, and in temperature controls. The Type "A" thermocouple fire detection system has for years been standard equipment on most internal combustion commercial and military aircraft; and the company has quite recently developed a new cable-type system for application in the new jet planes coming into wider use. Another Instrument product is "Omni-Guard," a continuous temperature monitor, with wide application in power plants in utility, industrial and railway use.

Measurement Corporation was acquired in 1953 and adds a lot of electronic romance to the company with such things as vacuum voltmeters, crystal diode modulators, bridges, megacycle meters. Of major importance are standard signal generators, which are applied to measure. with minute accuracy, the pick-up ability of radio, television and radar receivers.

Another division, which may surprise you a bit, is Edison Wood Products, Inc., which is left over from the days when the company manufactured phonograph cabinets, and now specializes on a high grade line of furniture for the young — cribs and bassinets, high chairs, bunk beds and dressers. These all add up to 125 different designs, in several colors, and are sold in over 3,000 retail outlets.

Finally, there's a Medical Gas Division which sells compressed oxygen, an anaesthetic gas called cyclopropane and Baralyme, a patented carbon dioxide. These, and other new products, are doing their part in diversifying the sources of company earning power.

Altogether, Thomas A. Edison, Incorporated, is quite a company, with sales for 1953 rising to an all time high—\$41½ million. This is an increase of over 50% since 1949, when the new management came in; and is a very considerable tribute to the top level policy which emphasizes research and development. Last year, per share earnings were \$3.05, a figure which will probably not be equalled this year due to slowed-down purchase of batteries by railroads and industries, plus a short strike in the main plant in April.

The financial position of the company is, and has remained, excellent. Net working capital at the 1953 year-end stood at above \$14 million, and book value arrived at by quite conservative accounting was above \$40 a share on the 454,886 shares of combined "A" and "B" common. (Both stocks are equal, except that the class "A," closely held, has the vote.) Ahead of these issues lie \$4,236,000 of long-term debt and 14,343 shares of \$6.50 preferred.

The common shareholder of Edison has had pretty steady treatment at the dividend counter, with some cash distribution in each year from 1924 on. The present rate, amply supported by current earnings, is \$1.20 and there was a 5% stock dividend in 1951, and a 2% one in 1953.

A distinguished accountant once said that if an industrial corporation does not research a new product every three years, it will be out of business in 10. Well, if research is one of the requisites of a desirable equity, Thomas A. Edison, Inc. deserves to be considered, since the company was born with a laboratory attached! Present diversity of manufacture in forward looking lines, an eminent and long standing reputation, progressive manufacturing and sales techniques, plus hard hitting top management, suggest that this company doesn't need to rely solely on its history to merit consideration by informed investors. It continues to add luster to the Edison name.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the country as a whole in the period ended on Wednesday of last week showed some slight contraction, but it was about 3% above that of the corresponding week a year ago. Electric kilowatt output again soared to a new all-time high record level, while steel, automobiles, lumber and paperboard registered seasonal declines.

Reports on unemployment indicated a mildly worsening situation. Continued claims for unemployment insurance benefits in the week ended Dec. 4 were 4% higher than in the previous week and 13% higher than in the same week of 1953. Initial claims in the week ended Dec. 11 were also 4% above the prior week but 7% below the 1953 comparative. Major areas with a very substantial labor surplus were Lawrence, Mass.; Providence, R. I.; Muskegon, Mich.; and Altoona, Johnstown, and Wilkes-Barre-Hazleton, Pa.

Iron Curtain countries in 1954 again registered impressive gains in steel production—while production of the Free World declined. As a result, the Free World's four to one advantage in steel output has been narrowed to three to one.

These are significant highlights from a special world steel production study just completed by "The Iron Age," national metalworking weekly.

Total world steel production in 1954 declined 5.2% from the 1953 record, largely because of a 20.8% decline in United States output. World output in 1954 was 245,190,000 net tons, compared with 258,706,000 tons in 1953.

Spearheaded by Russia, countries in the Soviet bloc produced 7.7% more steel in 1954 than they did in 1953. Production in countries of the Free World fell 9.0% short of the record established in 1953.

Combined production of Russia and her satellites was 62,825,-000 net tons in 1954, compared with 58,337,000 tons in 1953. Output in the Free World countries was 182,365,000 tons in 1954, compared with 200,369,000 tons the previous year.

All but two of the 27 countries listed in "The Iron Age" study of world steel production showed gains in 1954 over the previous year. In addition to the United States, the only country showing a decline was Canada, which slipped 24.1%.

Russia dominated steel production behind the Iron Curtain far more than the United States did Free World output. The Russians poured 71.5% of steel made by the Communist bloc, while the United States produced only 48.4% of Free World steel.

The Free World would have compared much less favorably with the Iron Curtain countries in 1954 steel output had it not been for the strong recovery of western European countries.

Steel production in Spain increased 23.4%, Yugoslavia 21.5%, Italy 16.0%, Western Germany 12.4%, Belgium 7.8%, Netherlands 6.5%, Sweden 5.9%, United Kingdom 5.1%, Luxembourg 4.7%, Saar 3.9% and France 2.8%.

Despite another contract holiday in the United States this week, steel production is scheduled to move up 3.5 points to 77.5% of rated capacity. Mills are paying doubletime to get out more metal.

After the holiday the ingot rate is expected to move above 80% of capacity again. Steel output in the first quarter of 1955 is expected to exceed any quarter of 1954. Much of the business is already in the bag. And auto producers will put on even greater pressure as they speed production to hedge against a possible strike.

The truck industry, although running 15% behind its 1953 pace, produced its 1,000,000th unit of the year the past week, according to "Ward's Automotive Reports."

Thus continued unbroken is a string of eight annual volumes above 1,000,000 units, a mark reached only once prior to World War II, with a 1,083,086 total in 1941. The year 1953 netted 1,203,835 trucks.

The statistical agency also reported only 4½ work days in the industry last week and total output of 141,563 cars and trucks, against a near two-year peak of 173,833 in six days a week earlier. The same 1953 week netted 85,259 completions.

However, it added that December's blistering production pace will continue throughout January, and will mean fattened pay-checks and heavy overtime for many thousands of assembly and manufacturing workers. Second-shift car output alone a week ago encompassed 35% of the industry's 56 final assembly plants.

Meantime, "Ward's" said, Chrysler Corp. last week held down 21% of United States car output for the fourth straight week, with Ford Motor Co. steady at 27%. General Motors Corp. was up to 50% from 48% several weeks ago but only because of the fade-out for changeover by the Independents.

Thus the swing to volume operations is being marked by a return to the 1953 production pattern that should become more pronounced in January when the Independents begin their production drive with 1955 models.

Steel Output Rises Moderately the Current Week

If 1954 offers a good sample of how we can handle our economic bumps, there's little to worry about in the future, says "Steel," the weekly magazine of metalworking. Many people say we know enough now to control our economic destinies.

This year demonstrated that steel demand can drop substantially without demoralizing the steel industry or triggering a collapse of industry as a whole, states this trade weekly. The output of steel for ingots and castings fell 21% from that of last year,

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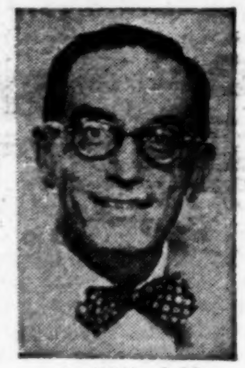
Observations . . .

By A. WILFRED MAY

ANOTHER LOOK AT THE 'TWENTIES

Wall Street's pattern-consciousness, always present, is now at an all-time high—evidenced in the market commentators' copious citation of the past record of year-end market action, as well as in the continuing 25th-anniversary "celebration" of the 1929 *collapse*.

A most welcome addition to the commentary on the latter epochal event comes to hand in the form of a booklet, *THE STOCK MARKET CRASH OF 1929*, by James Crane Kellog, III, a Governor of the New York Stock Exchange, and William E. Downey. It is published and distributed by the J. C. Kellogg Foundation of Elizabeth, N. J., of which co-author Kellogg is President, with the following explanation of its *raison d'etre:*



A. Wilfred May

"The cataclysm of 'The Stock Market Crash of 1929' differs only in degree from the catastrophic illnesses that sometimes, without warning, strike individual homes. The J. C. Kellogg Foundation was set up for the purpose of cushioning such shocks by providing funds for research and care with such crippling diseases as infantile paralysis, cancer, and heart disease particularly in mind. It is to this purpose that this book is dedicated. We hope you will find it interesting."

In addition to 38 pages of text, tables and a chart, the book contains photostatic reproductions of the financial pages embodying both news and market quotations of Grey Thursday and Black Tuesday of October '29 and of the mid-'32 nadir period; of the ticker tape at the market's Oct. 29 opening and closing; and 1929's dramatic monthly high and low price changes of the 100 most active stocks.

Pre-1929 History

But this volume is exceptional, if not actually unique, in giving major space to revelant pre-1929 events, in lieu of confinement to the customary easy literary exploitation of the sensational annihilation of prices that attended the crash. Data are included on Stock Exchange seats going back to 1875 (when they sold at $4,250), on yearly volume to 1900, along with a chart of the D-J Industrial Average 1922-'33.

And in the area of comment by the observers of the time, this booklet likewise avoids concentration on easy debunking via the *ex post facto* citation of forecasts-gone-wrong. Instead, there are liberal quotations of serious economic observations ranging from industrialist Henry Ford, a pioneer of t e purchasing power theory who supplemented his academic observations with a post-crash rise in his laborers' wages concurrent with a reduction in his cars' prices; to former President Coolidge who, turned syndicated columnist, wrote: "We must have more faith in ourselves. Largely because of some decline in trade we have set about finding fault with nearly everybody and nearly everything. Yet, our government, our physical properties, and our industries have changed very little from a year of two ago, when people were fairly content. It will help somewhat to increase public and private construction. But the principal consuming power is in the people."

Also contributing to the more serious literature about the epoch are a statement by George E. Roberts, Vice-President of the National City Bank of New York, summarizing the effect of 1927-'28 gold exports on brokers' loans and the crucial loans "for others," and by Carl Snyder, statistician of the Federal Reserve Bank of New York, on the long-term implications of the post-World War One rise in commodity prices on the decade's stock market action, with the thesis that the Big Rise followed 1919-'24 serious undervaluation.

Financial History

Market events from the end of the First World War are interestingly traced by Messrs. Kellogg and Downey. They recount that in November, 1919 the Dow Jones Industrial Average had declined to 119, by August, 1921 it fell further to 63, but by March, 1923 it was up to 105. Thereafter the market was motionless until June, 1924, when it advanced, with heavy volume, through the summer of 1925, with seat prices increasing to $150,000 in October, 1926. The market's advance started again, with the Average rising from 159 to 191 in October, 1927; and adding 40 points more by June, 1928.

An interesting account is given of the significant private dinner to and by, the leading and glorified market winners, held in New York in 1928; with Durant, the Fishers, the Cuttens, Joe Higgins as the heroes—Durant a $100 million one.

In 1928, the election of Hoover started things up again, the D-J advancing from 252 to 295, or 16%, in the single month following. But in the fortnight following November, 1928 the first of several severe reactions set in, with a decline of 38 points back to 257.

These anticipatory reactions are important in showing the agonizing emotional difficulties suffered by those prudent investors who were logically correct in liquidating midst the market inflation of 1928: only to be subsequently convinced that they were wrong, and, as reconstructed iconoclasts, got back in at 1929's still higher levels.

The lurid and dramatic account of the actual 1929 break has been adequately recounted elsewhere.

Divergence Then

This volume also makes note of the great divergence obtaining even during that great bull market year. The authors point out that while the stock averages were rushing to their pinnacle of that 1929 year, half the stocks were going to new highs, while the

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Debt Management vs. Inflation

By ROBERT T. PATTERSON
Assistant Professor of Economics,
New York University

Dr. Patterson reviews Treasury's recent refunding operations and traces the problems involved in deciding on character and the nature of the obligations exchanged. Says problem of the present National Debt is due to too great amount in short-term issues and too large a portion held by banks.

The Treasury's latest refinancing, in which it has "rolled over" some $17 billion of bonds and notes maturing Dec. 15, brings into the limelight the whole problem of managing the Federal debt. If unwisely managed, the present debt can become explosively inflationary. Treasury officials are aware of this. The operation now completed — second biggest in Treasury history — is an attempt to change the "near-money" nature of a part of the debt by lengthening its maturity. In the exchange of new securities for old, holders of maturing debt elected to take $6.7 billion of 2½% bonds maturing in 8 years and 8 months and $10.2 billion of 8- and 12-month certificates. A very small part—less than 2%—had to be paid in cash.

Robert T. Patterson

Thus the conversion is regarded in both governmental and financial circles as completely successful. The Treasury has moved a step along the road toward a sound, noninflationary debt structure. But it has a long way yet to go.

In fact, to manager the Federal debt it seems the Treasury must run very fast just to keep up with the maturing part of it. Although the present Administration had declared its intention to lengthen the debt, it has so far increased the average time until maturity of the marketable part by only six months — from 3.8 years in January, 1953, to 4.3 years at the present time.

The magnitude of the debt problem is attributable not so much to the huge total outstanding as to the fact that so very large a part is short-term or payable on demand. Some $63 billion of marketable securities will fall due within a year. In addition, there are $58 billion of Savings Bonds outstanding, nearly two-thirds of which are payable on demand and most of the rest on a month's notice.

This $121 billion—43% of the entire debt—is the next thing to actual money, for it must be paid in cash should the government's creditors prefer that form of payment to new securities. A desire for liquidity — cashability — is the reason why individuals and banks are content to hold short-term securities in spite of low interest rates. It explains, too, why the $36 billion of Series E Savings Bonds are highly attractive to millions of investors. After being held for two months they can be turned into cash at the bank merely by endorsing them.

Even the longest-term government bonds are, of course, highly liquid assets in the market place. But until they become payable, at dates spread well into the future, the Treasury can't be called upon to redeem them. If many holders sought to realize upon longer-term government securities the burden would fall upon the bond market, and not upon the United States Treasury. An appropriate change in prices would then bring buyers and sellers together. Their transactions would merely exchange money held by some for bonds offered by others. **The Treasury could stand aloof, free of any near-term obligation to pay which might well require it to convert a part of the government's debt into newly created money.**

When, however, debt matures or Savings Bonds are pressed for redemption beyond the amount of the Treasury's cash balance, it has to choose from three alternatives: (1) refinance on whatever terms holders or new buyers are willing to accept; (2) obtain or create more money, or (3) *in extremis*, invoke its sovereign power to change the terms of the securities that are due or payable.

The choice could be an unpleasant one. Under adverse conditions—which are at least conceivable in the long future ahead —the Treasury would not find security holders so willing as they are today to accept new obligations for old on reasonable terms. The catastrophe of war, or mistrust of the long-run value of the dollar and of fixed dollar-value securities, could change investors' outlook drastically.

If they rejected an exchange offer the government could still find the means to pay them, perhaps by increasing taxes, but far more likely by printing currency or by forcing obligations upon the banks in exchange for bank-deposit money. Both measures would be highly inflationary.

Already the banking system is loaded with government debt — over $24 billion is held by the Federal Reserve Banks, $64 billion by the commercial banks — much of which has been monetized once. The conversion of such debt into money occurred when the banks bought securities from the Treasury and gave it new deposit credits to draw against.

But government debt held by commercial banks can be monetized again if they sell the securities to the Federal Reserve in exchange for reserve funds. The banks could then increase their loans (in the usual form of checking-account money) by about five times the amount of the reserve increase. That would be debt monetization indeed — a multiple inflation of the nation's purchasing media!

This is the problem of our present day debt: Far too great an amount of it is short-term, and much too large a portion is held by the banks. The "near-money" nature of much of the debt places the government in a highly vulnerable position in which it can at some time be forced to measures of inflation that would overshadow any previously experienced.

Prudent debt management can lead it away from that danger by lengthening maturities as debt falls due, reducing the amount that is payable on demand, and inducing the movement of bank-held securities into the hands of long-term investors.

Contra-inflationary debt management is a difficult and complex task, but there is no sound alternative. It requires time and skill as well as courage for those on whom the responsibility rests.

H. Hentz & Co. to Admit Gerson Lublin

H. Hentz & Co., members of the New York Stock Exchange, 60 Beaver Street, New York City, announce that, effective Jan. 1, 1955, Gerson D. Lublin is to be admitted to the firm as a general partner. Mr. Lublin has for the past five years been Manager of the Hentz Investment Research Department; and throughout his entire career in the financial community, has been engaged in various phases of corporate and financial analysis. During the war he was attached to the War Department Price Adjustment Board, engaged in the renegotiation of war contracts and was discharged from the service with the rank of Major. He is a graduate of Yale University, class of 1928, and lives at 23 Wyndham Road, Scarsdale, New York.

Hayden, Stone & Co. To Admit Partners

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit to limited partnership Abijah Upson Fox, James T. Loree, Walter L. Bogert, Chester Mack Mayer, Frank E. Taplin, and Arthur H. Tully, Jr.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Mrs. Florence M. Colby has joined the staff of The Marshall Company, 30 North La Salle Street. Mrs. Colby was previously with Eldredge, Tallman & Co.

The Financial Community And Stockholder Relations

By PETER F. HURST*
Founder, President and Director, Aeroquip Corporation

Corporation head, tracing history of his company, states that its effort in public relations has been a worthwhile investment which management cannot afford to overlook. Maintains such a program aids company in its financing, betters its position in attracting offers of acquisitions and mergers, increases stockholder cooperation, and cements good-will with consumers.

Before I talk about the financial community and stockholder relations program which our company started several years ago, I think it is necessary to go a little into the background of Aeroquip Corporation so that our particular case history will be better understood.

Peter F. Hurst

It is with pardonable immodesty that we point to Aeroquip as an outstanding example of what can be accomplished in America under the free enterprise system. During the past 14 years, years that could scarcely be considered especially conducive to the accumulation of corporate capital and the growth of a company literally from scratch to a position of leadership, Aeroquip's success has been a testimony to the endless opportunities still offered by this country — if you have the right ideas and the determination and aptitude to work ceaselessly.

Let us trace, briefly, the history of Aeroquip Corporation.

We started on a very modest scale in 1940 when I met a group of American businessmen in Jackson, Mich., the type of men such as you find in almost every medium-sized American town. I had some unusual concepts in mind relating to flexible hose lines and couplings. The possibilities were interesting enough for 10 people to get together and back these ideas. Each of the 10 invested a thousand dollars and also pledged to put more money into the business if we succeeded.

Within a few years, the business expanded to the point where approximately $100,000 in capital was paid in. At the peak of World War II, sales reached the $6,000,000 mark. With the end of the war, everyone expected Aeroquip to collapse quietly. As we served the military aircraft market exclusively, and with aircraft production dropping from a high of 10,000 airplanes per month to approximately 100 a month, this seemed a logical expectation.

But then, who would have bet that the Giants would win four straight over the Cleveland Indians?

Engineering and Sales Expansion

So instead of constricting our operations, we chose to expand our engineering and sales activities and within a few years, we regained the $6,000,000 sales volume. Sales of our products — which consist of flexible hose lines with detachable, reusable fittings and self-sealing couplings used by nearly every capital goods industry—averaged $20 million during the last two years. Earnings after taxes exceeded $1,000,000.

The total paid-in capital amounts to approximately $1,100,000.

The book value of the company today is in excess of $5.7 million. The market value of our stock is about $7 million. Total cash dividends paid by the company since its inception aggregate $1,236,877.

I am sure you will agree that this is a proud example of what can be accomplished in America even today—and accomplished in spite of handicaps and adverse restrictive factors.

When it became apparent in 1950 that increased volume and the need for plant expansion would necessitate more capital, we decided that the first step should be the sale of a percentage of the shares held by the original group of stockholders, plus a small amount of previously unissued stock.

The purpose was **not** to realize a profit for the founder stockholders—in fact they were most reluctant to sell, in view of the excellent prospects for the company's future. Rather the aim of this initial financing was to broaden the ownership base and thus lay the groundwork for what we realized would have to be a subsequent financing on a larger scale.

The 1950 financing was priced at $4.00 per share. The distribution put company shares in the hands of some 900 stockholders, most of whom were residents of the Mid-Western area — Jackson in particular. The financing was handled by a local investment firm.

Shortly after this first financing, we expanded our financial public relations program.

We had very specific objectives in mind. Whether considered individually or collectively, it was apparent that a great deal was to be gained from these aims—in tangible, measurable benefits.

I would like to stress that point. In our financial community and stockholder relations program, we deal with values to which a dollar and cents yardstick can be applied in many instances.

Objectives

Our objectives were and continue to be as follows:

The number one objective was to achieve a fair and accurate market appraisal of the company's securities based on the availability in the financial community of full facts about the company's business, products, management, personnel, policies, and plans and developments for the future.

Of course, we realize that earnings and dividends are principal factors determining stock price levels. But there are other important influences as well. For example, plans for expansion, further product developments, possibilities of diversification, introduction of operating efficiencies—all of these should be reflected in the price levels of securities and these facts must be brought to the attention of the financial community and the stockholders in order that they be taken into consideration when judging a company's securities.

Closely related to a fair and accurate market price for the company's securities is objective number two: marketability, meaning broader trading thereby giving the company's stock a more active market, accompanied by a narrower spread between the "bid and ask."

It is of concrete value to every stockholder to know that the securities in which he is interested can be bought or sold promptly and that when it becomes necessary to compromise between the "bid and ask," it involves a quarter of a point of three-eighths of a point, and not a dollar or more. The factor of a narrower 'bid and ask" spread is of importance to the stockholder who has to sell.

Our next objective follows in logical sequence: more rapid absorption of large blocks of stock without any undue weakening of the market. After all, management is as responsible to the shareowner with a large holding as it is to the majority who do not have an exceptionally large investment.

With institutional investors becoming more and more active in the securities market, this factor gains in importance.

If, for personal reasons or an estate consideration, a large stockholder has to sell several thousands of shares, it means a great deal to him and all other stockholders to be able to effect such a transaction without unnecessarily depressing the price of the stock. I would like to underscore here that this is an element of the financial public relations picture which is receiving very considerable attention these days.

A favorable climate for public financing was another objective. By making the company and its securities more familiar and more active, we realized that a public stock offering could be worked out on more advantageous terms.

Value of Stockholder Relations

An examination of the economics of public financing clearly shows the monetary value of financial community and stockholder relations in this respect. The net proceeds which the company receives are determined by the price at which the securities are offered to the public and the underwriting expenses involved, including of course the commission paid.

Should the company be comparatively unknown in the investment community — as evidenced by an inactive market, trading in only small amounts and a wide spread between the "bid and ask" —the underwriting group will need more of a commission incentive to market the issue.

What the commission will be depends upon the calibre of the company and the degree of ease with which the brokerage firms participating believe the securities can be sold.

What the price of the offering will be is based on the current market—an objective which we have already discussed.

In the case of a debenture offering, the interest rate determines the cost of the borrowing to the company. Here again is a factor that is materially influenced by how well the company is known and the completeness of up-to-date, available information.

Needless to say, not every company qualifies as a "blue chip." But it certainly can do something about becoming a better known investment so that the investing public will give a good reception to its stock offering.

If your corporation's activities, its background, its management and its prospects are not well-known, maximum investment interest cannot be expected. Financial public relations is specifically directed at overcoming this vacuum. It is a direct approach to the financial community with the realization that known products receive a more favorable reception than unknown products.

Earlier I mentioned a financing which Aeroquip had in 1950. In

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*An address by Mr. Hurst before a panel meeting of the American Management Association, New York City.

From Washington Ahead of the News

By CARLISLE BARGERON

It is supposed to be worth fame and fortune to play golf with President Eisenhower. At least important men, men of accomplishment in industry and other fields of endeavor, go to considerable trouble and exercise all sorts of ingenuity to get a game with him, and his two or three cronies who arrange most of his foursomes are much in demand at social functions, etc.

Carlisle Bargeron

But you can take it from me that a golf game with him is an ordeal for which you want to be physically prepared. One Senator, a duffer, went to bed for two days after his game. His being a duffer had nothing to do with it. It is just that the President plays too fast. He never pauses once to rest, he doesn't sit down from the time he tees off until he holes out on No. 18. He doesn't even stop at the snack shop midway of the course for a drink.

I haven't had the honor of playing with him but I have seen him play. It is quite an event.

Flanking him to the right and left on the edge of the fairway is a fellow that looks like a caddy carrying a canvas bag with a No. 3 iron showing. What isn't showing is a tommy gun. Bringing up the rear is another Secret Service man with so many guns in his pockets that his pants seem about to fall off and with him is another Secret Service man with a walkie talkie who keeps in continuous conversation with the office. Recent reports from Augusta tell how the President returned to the first tee to talk with Secretary of State Dulles. He did this, undoubtedly, for privacy because he could have just taken over the walkie talkie.

On an occasion I have in mind, my foursome moved off 30 minutes ahead of him. On the 13th hole he was on our backs and we stopped to let him go through. His three companions were red faced, out of breath and their tongues were hanging out. There seems to be very little conversation if any. What there is, is about golf.

Aside from Senators and leaders of the House with whom he occasionally plays, no one of his golfing companions, insofar as I can ascertain, is in a position of adviser or has any influence with him in matters of state. Closest to him, outside the government, apparently are General Lucius Clay, Paul Hoffman, Milton Eisenhower and General George Marshall. The latter came as a surprise to me. I had thought Marshall had retired completely to his place in Virginia but my information is that he is very much in the President's confidence. Clay has an office in the White House which he visits at least once a week.

Marshall's closeness is a commentary on the gossip that Eisenhower had shown ingratitude in not denouncing McCarthy for his attack on Marshall. Very likely the President was guided by Marshall.

Probably most active in this group of unofficial advisers is Clay who is truly a remarkable man. An outstanding military and business man, he knows government and politics. From an illustrious Georgia family he is a conservative to whom the Republican Senators could scarcely object. Hoffman makes most of them see red.

Inside the official family, Secretary of the Treasury George Humphrey is undoubtedly the most influential and the most companionable to the President. The President goes to his house for dinner, goes hunting with him.

I don't know of an instance when his ideas in the Cabinet have not prevailed. A very recent instance was on the subject of economic aid for Asia.

A Marshall Plan for Asia made considerable progress while Humphrey was attending a conference in Rio. It seems now to have been definitely squelched. Humphrey came to Washington with the definite goal of balancing the budget. He hasn't been able to do that, and nobody else could have.

HAPPY NEW YEAR!

Continued from page 5

Observations . . .

other half, including amusements, apparel, automobiles, chain stores, fertilizers, leather, meat packing, motion pictures, rayon, rubber, silk, sugar, textiles, tobacco, theatres, and trucks, actually declined.

In the First New Era

Reference to the New Era philosophy rampant at the time is worthwhile, in the seeking for parallels now—as the popularly-embraced Edgar Lawrence Smith credo that for the long pull, and irrespective of price or value, stocks will advance. "The common stock absorbs the advantage which bonds, because of their fixed return in dollars, cannot absorb. The common stock will go up to the extent that the bonds and preferred cannot go up," was a main gospel of the time.

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Is another 1929 around the corner; or on the horizon? Some parallels there surely are, as the bull argument of the tax penalty on profit-taking; the scarcity value of "good stocks" in lieu of allegation of their over supply at other times; and the like. But such similes are not controlling. The warranted realistic conclusion, as confirmed by the overall impression gained from this volume, is that a great break is a surprise as to both its timing and "cause"—if indeed there is a genuine cause. In the afore-cited words of the Kellog Foundation: a catastrophic illness striking without warning.

The Economic Landscape

By C. CANBY BALDERSTON*
Member, Board of Governors,
Federal Reserve System

Federal Reserve Governor, in taking a long range view of the economic landscape, lists as trends worthy of notice: (1) recent high rate of population increase; (2) the centrifugal movement of population in metropolitan areas; (3) the gain in productive capacity since World War II, and (4) the intensified technological development. As to the immediate outlook, says business indicators suggests a likelihood of a continued rise in activity, but warns the challenge facing our economy is to use prudent management in private and governmental affairs.

Our economic life may be likened to an enormous river that flows without ceasing. Sometimes its progress is straight and placid, sometimes crooked and tumultuous. Those supported by this economic flow—and who is not?—keep peering into the future to discover what lies ahead, both in the long distance and in the short.

C. Canby Balderston

The effort to observe what mountains, rapids, rocks and pleasant fruitful valleys are to be encountered is as old as Adam's departure from the Garden. It is born not alone of curiosity but of the imperative need to make those plans and take those actions needed for success and survival. But the forecasting even of the immediate future makes one aware of the perils of prophecy. They are of course greater with long-run predictions than with short. And so, a venture to do both would seem to place one's self in double jeopardy.

Regardless of the risk of being proven a poor prophet, I will ask what a long view reveals. Among the trends that seem to me worthy of notice are four:

Population Increase

The first is the recent high rate of population increase — about 1.7% a year as compared with less than 1% in the 1930's. The most fundamental question stemming from it is whether we can provide our growing population with a constantly rising standard of living. I will leave the answer to this question to the future—noting only that our history has been characterized by a persistent upward trend, albeit with short-term irregularities.

One aspect of population growth is the number of households formed each year, which affects the construction of schools, roads, homes, and household furnishings. Even though household formation is expected to decline during the next few years from earlier high levels, population growth will, in the long run, bring about an increase in household formation. For many decades the number of households has tended to grow more rapidly than the population, causing the average size of household to decline. Or, perhaps the cause-effect relationship is just the reverse. The more rapid growth in households reflects a greater tendency for parents to maintain separate households long after their offspring have set up homes of their own. As a result, the average size had dropped from 4.93 persons in 1890, to 3.35 by 1950, and to 3.28 by 1953.

The rate of household formation, which is itself influenced by the state of business, makes an impact upon the volume of sales of many industries. During the 1930's, the number of households added each year averaged only about half a million; in the immediate postwar years, 1947 to 1950, nearly a million and a half. Since then, the rate has fallen to approximately one million a year, and during the rest of this decade seems likely to run about 800 thousand. Even this reduced rate of increase will probably give us more than 52 million households by 1960 as compared with 43.8 million in 1950 and 46.8 million in 1953. For this estimate I am relying upon Current Population Reports of the Bureau of the Census.

As to the impact of population growth upon the labor force, I will assume freedom from another world war but continuance of a high level of defense activity. According to the Bureau of the Census, it is estimated that enough jobs will be required each year during the last half of the current decade to absorb about 900,000 persons, as compared with 700,000 in the first half. During the 1960's, the problem of job creation will become more than one-third greater for, during that period, the postwar babies will be seeking jobs at the annual rate of nearly 1.2 million.

A second trend is the centrifugal movement of population in metropolitan areas. For some decades there has been a trend from mid-city to suburban areas. Made possible by improved transportation, this trend has enhanced suburban real estate values, depressed some city property values, and led to a tremendous demand for autos and for roads to run them on for schools, water works, disposal plants, and other utilities. For some utilities the requirement for plant and equipment and the requisite capital is magnified by the fact that the cost of such expansion seems to increase, not in direct ratio to the distance at which people settle from city centers, but at a much higher ratio.

The Gain in Productive Capacity

A third factor is the gain in productive capacity during and since World War II. This gain cannot be measured accurately but its magnitude is reflected in the investment in new plant and equipment. In the four years of 1947-50 American business spent over $20 billion a year on new plant and equipment and, in the four succeeding years, nearly $27 billion annually. The latter is almost five times the figure for 1939. In short, in the years following the end of World War II, American business has invested over $200 billion to replace, improve and expand its productive facilities. Even after allowance for substantial price increases since 1939 and for replacement of worn-out facilities, the net expansion in the physical volume of fixed capital has been tremendous.

For example, steel capacity has been increased by over 50%; electric power capacity by about 150%. While we are unable to measure accurately the resultant growth in total industrial capacity, the growth exists and is significant. I mention this factor both because of the importance of these resources in the event of war and because of the obvious social gains from our ability to create a larger pile of goods and services for consumers to enjoy. But this social gain is not without cost. As Emerson pointed out in his essay on "Compensation," "Every sweet hath its sour; every evil is good. . . . For every benefit which you receive, a tax is levied. . . . Everything has two sides, a good and an evil."

For the manufacturer in a particular industry, growth in plant capacity may mean greater profit potential for himself but increased competition within his industry accompanied by downward pressure upon prices. On the one hand, American business has enhanced its ability to create goods and services, which provides material benefits for all and a useful and potent brake upon inflation; on the other hand, it has stepped up competition. Excess capacity puts pressure on prices and in turn on costs. Competition, of course, has been an integral part of the process by which new products have been introduced and distributed and by which gains in productivity have been disseminated throughout our economy.

Technological Development

A fourth factor is technological development. Since World War I, the number of men engaged in industrial research has increased fifty-fold, and as Dr. Mees of the Eastman Kodak Co. has pointed out, technical advance has been accelerating at a rate that has itself been accelerating. Yet this has been a period very short in the history of mankind. In the dramatic language of Dr. Robert E. Wilson, Chairman of Standard of Indiana:

"Let us compress the supposed 500,000 years of man's development into 50 years. On this time scale it took man 49 years to get over being a nomad—even longer to get his first pair of pants. A few months ago a few men learned to write; two weeks ago the first printing press was built. Only within the last three or four days have we really understood how to use electricity.

"And within the very last day have come such amazing things as radio, television, diesel locomotives, rayon, nylon, sulfa drugs, electric computers, 100-octane gasoline, color and sound in motion pictures. On our condensed time scale, jet planes, a dozen new antibiotics and hormones, and the release of atomic energy all came into the picture in the last hour or two."

Dr. Wilson's portrayal of man's technical advance has the great virtue of simplicity. Too often worthwhile ideas become lost in academic language.

The point that Dr. Wilson is driving home is that technology is the most significant characteristic of our time. It is true, of course, that it has increased to awesome proportions man's ability to destroy himself, but it has also enhanced his ability to achieve a satisfying material existence. Even though critics may feel that people have become overly interested in gadgets, it is my belief that the physical facilities for living a good life that are made possible by technology increase the chances of millions to enjoy the comforts once reserved to kings.

The Immediate Outlook

When one seeks to forecast the state of business in the near future, he must assess the relative influence of many forces that do not move in the same direction at the same time. To quote a great authority on business cycles, the late Wesley C. Mitchell, "A real chart of one business cycle would be a hopelessly complex tangle of hundreds of curves." Businessmen find the problem so perplexing that they tend to center their attention on a few factors that seem to them to have proven helpful in prognosis. In order that businessmen and scholars may apply the exception principle to this problem, the National Bureau of Economic Research has analyzed the several hundred indices which it has studied over the last quarter century.

The Bureau has found some that tend to move *in advance* of general business, some that move *concurrently* with it, and some that tend to *lag*. I will mention only those that have tended to move in advance; i.e., to lead. These are new orders for durable goods; business failures, as reflected in liabilities; average hours worked per week in manufacturing; residential building; nonresidential building; commodity prices; new incorporations; and industrial stock prices.

The majority of these indices are still pointing upward. Their favorable prognostications are being confirmed by the indices that coincide with general business, such as non-agricultural employment, freight carloadings, and industrial production.

These indicators appear to be suggesting the likelihood of a continued rise in activity. However, like other measures designed to enable us to read the future, they must be used with caution. To provide perspective for them, a brief look at the immediate past may be useful.

This recession seems to have been of about the same intensity as that of 1948-49. It began about the middle of 1953 and by the spring of 1954 showed signs that it might be coming to an end. Throughout this period, inventories, which were so high a year ago as to give businessmen real concern, have been reduced at an annual rate of $4 to $5 billion. This has been a healthy correction, but at the same time a business depressant. Government spending, particularly for defense, has also been reduced considerably. It is, therefore, reassuring that, in the face of substantial reduction of inventories and of governmental buying, the decline in business activity did not become cumulative and business is apparently showing signs of some recovery. A powerful force aiding recovery has been the sharp increase since spring in residential construction activity. Consumer outlays for nondurable goods and services have also risen, as has spending by state and local governments.

The challenge that now faces our economy is to use prudent management in private and governmental affairs. The gifts that technology heaps upon us have expanded our scale of living beyond the wildest dreams of one of Ben Franklin's time. Our ability to produce has been tested more than once by the God of War. What he called forth in such abundance because he appealed to the loyalties of men is required likewise by the Goddess of Peace.

But prudent management would emphasize a sense of balance and proportion. The stable healthy growth in productive facilities and in production that is needed for the best interests of consumers and of breadwinners can be injured either by lack of faith or by excessive speculative enthusiasm. To maintain such a balance with nicety requires delicate handling of credit control mechanisms. It calls likewise for the understanding interpretation of the economic facts of life by all informed citizens and especially by the banking fraternity.

If we may revert to the analogy with which we began, that our economic life is like a great river flowing at varying rates of speed through dangerous rapids as well as fertile prosperous valleys, it seems superfluous to suggest that safe navigation calls not only for peering ahead, but for the intelligent charting of a course coupled with the courage to follow it regardless of temptation.

*An address by Mr. Balderston before the New Orleans Clearing House Association, New Orleans, La., Dec. 10, 1954.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Achievement in Steel—16 mm color film telling the story of steel available to organized groups — to obtain this film write to "Achievement," National Steel Corporation, Grant Building, Pittsburgh 19, Pa.

Appreciation Possibilities—List of issues for long term appreciation possibilities—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Area Resources—Booklet on natural resources of the Utah area—Utah Power & Light Co., P. O. Box 899, Dept. M, Salt Lake City 10, Utah.

Atomic Map and Glossary—Literature—Atomic Development Securities Company, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

Chemical Fertilizer Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-chome, Nihonbashi, Tori, Chuo-ku, Tokyo, Japan.

Domestic Airline Industry—Financial study, with special reference to American Airlines, Inc. and Capital Airlines, Inc. —$20 per copy—Henry Beecken & Associates, 1333 G Street, N. W. Washington, D. C.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Gas Stocks—Discussion in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Japanese Spinning Companies — Data — in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Neglected Blue Chips—The New York City Bank Stocks—Bulletin, Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **National Steel Corporation.**

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

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American Natural Gas Company—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. In the same bulletin are data on **Safeway Stores, Socony Vacuum Oil** and **U. S. Steel.**

Beaunit Mills—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y. Also available is a bulletin with a list of **Rails for Appreciation** and selected **Blue Chips and Pale Blue Chips.**

Calaveras Land & Timber Corp.—Memorandum—La Salle Securities Co., 208 South La Salle Street, Chicago 4, Ill.

Capitol Uranium Company—Analysis—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Central Bank & Trust Co.—Memorandum—Bonds, Inc., 917 Minnesota Avenue, Kansas City, Kansas.

Cerro de Pasco Corp. — Memorandum — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Decca Records-Universal Pictures—Analysis—H. E. Herrman & Cohen, 52 Wall Stret, New York 5, N. Y.

General American Oil Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Interprovincial Pipe Line Co.—Memorandum—W. C. Pitfield & Co., 30 Broad Street, New York 4, N. Y.

Johnston Testers Inc.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Lucky D Uranium Mining Co. — Bulletin — Brereton, Rice & Co., Inc., First National Bank Building, Denver 2, Colo.

P. R. Mallory & Co. Inc.—Analysis—Brush, Slocumb & Co., Inc., 1 Montgomery Street, San Francisco 4, Calif.

Maremont Automotive Products—Analysis—White & Company, 506 Olive Street, St. Louis 1, Mo.

Opelika Manufacturing Corporation—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y. Also available is a bulletin on **General Outdoor Advertising Co., Inc.**

Oswego Falls Corp. — Memorandum — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Philips' Lamps (N. V. Philips' Gloeilampenfabrieken)—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Phillips Petroleum Co.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Pubco Development, Inc.—Bulletin—Shea & Co., Inc., 31 State Street, Boston 9, Mass.

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Our Reporter's Report

Underwriters and dealers went through the motions this week, but accomplished little unless they maintained trading departments which might have put in a kick or two endeavoring to turn a switch or two in the secondary market.

As one normally active individual put it "there was nothing to do except beat yourself out walking around the desk." His major task for one day was to attempt to tighten up a pair of shears which he admitted "probably hadn't cut a sheet of paper in more than a year."

But the lull is due to pass within a fortnight when bankers will be back at the old stand bidding for new material and proceeding with reoffering of such issues. The initial week of the new year, however, does not offer any major opportunities.

About the only undertaking of interest slated for that period is Marine Midland Corp.'s scheduled offering of 407,000 shares of convertible preferred stock, with the proceeds to be added to corporate funds.

This stock must first be offered to common shareholders who may wish to prevent dilution of their position through ultimate conversion of the senior issue. They may subscribe on a one-for-ten basis.

But in the interval bankers will have the opportunity of working off left-overs from several recent issues which were bought at the time, presumably with the knowledge that it might be necessary to carry them over the turn of the year.

Things Looking Up

The following week, however, promises to be a bit more active what with several large public utility and rail issues looming for bids.

In that period Duke Power Co. will open bids for $40,000,000 of bonds.

Commonwealth Edison Co. of Chicago has an issue of $50,000,000 of debentures due up for bids and bankers will be competing for 170,000 shares of United Gas Corp. stock which Electric Bond & Share Corp. is placing on the market.

For a bit of variety, New York, Chicago & St. Louis Railroad (Nickel Plate) will be scanning bids for $36,000,000 of debentures being sold to finance retirement of preferred stock.

Backlog To Work Off

The tax-exempt segment of the underwriting business has ample supplies of available new issues of recent vintage to keep it busy despite the several postponements that have developed in the revenue bond field.

But those who specialize in marketing of new corporate securities could, perhaps, be considered to be only comfortably burdened with inventories.

Such unsold bonds as are in the hands of corporate dealers were pretty much anticipated when investment bankers took them down within the last fortnight. It was recognized, at the time, that big institutional investors would be closing down for the year-end and that sizable blocks very likely would have to be carried over the year-end.

Continued from page 2

The Security I Like Best

of total bituminous production in this country to 11% of total.

The cyclical nature of ore traffic has been partly offset by imported ore tonnage. Baltimore & Ohio opened a $5 million ore import pier in Baltimore in 1951. This pier marked the beginning of a new phase, then just starting, in the steel-making industry in this country and was indicative of the forward looking progressive planning of B. & O. management. It was designed for rapid unloading of bulk cargo vessels carrying from 22,000 to 40,000 tons of ore and was the first completely new and modern installation of its kind to be built by a common carrier on the eastern seaboard. The Port of Baltimore is well suited for such a ship-to-rail facility because it is nearer to the great steel manufacturing centers of Pittsburgh, Youngstown, Cleveland, and Chicago than are other eastern ports. Import traffic has increased steadily and the long-term trend appears headed upward.

Merchandise freight has also increased by 132% since 1941 and the percentage of freight revenues represented by manufactured items now averages 50% compared with 43% in 1941. All these factors add up, I think, to far-better-than-average growth prospects for Baltimore & Ohio.

To summarize, this is my favorite security because I think:

(1) Sinking fund requirements will soon be drastically reduced, making larger earnings available for dividends.

(2) Management is stockholder-minded and cost-conscious.

(3) Territory is showing evidence of accelerated growth.

In addition to all this the stock is still selling at a reasonable ratio to current reported earnings and next year should be a banner year. Baltimore & Ohio common stock is listed on the New York Stock Exchange and the current quotation is 40.

Joseph E. Masek Now Recuperating

Jos. E. Masek

MINNEAPOLIS, Minn.—Joseph E. Masek, manager of the trading department for M. H. Bishop & Co., is happily recuperating after a siege of illness. Drop him a line at his home, Route No. 1, Excelsior, Minn.

COMING EVENTS

In Investment Field

Jan. 14, 1955 (Philadelphia, Pa.)
Philadelphia Securities Association annual meeting and election of officers.

Jan. 24, 1955 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter dinner at the Furniture Club.

Jan. 28, 1955 (Baltimore, Md.)
Baltimore Security Traders Association annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Feb. 25, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Benjamin Franklin Hotel.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

April 24-27, 1955 (Houston, Tex.)
Texas Group Investment Bankers Association spring meeting at the Shamrock Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

May 18-21, 1955 (White Sulphur Springs)
Investment Bankers Association Spring meeting of Board of Governors.

The Voluntary Home Mortgage Credit Program

By ROBERT M. MORGAN*
Vice-President and Treasurer
The Boston Five Cents Savings Bank, Boston, Mass.

Mr. Morgan explains background and purpose of the Voluntary Home Mortgage Credit Program as provided for in Title VI of the Housing Act of 1954. Reveals how the plan works and the role of the participating lending institutions. Says larger life insurance companies are determined to make the plan work and urges savings banks join in the program as a means of cutting down direct lending of the government and to make this voluntary program a success.

The purpose of the Voluntary Home Mortgage Credit Program is to try to eliminate the need for government support of mortgage markets as evidenced by FNMA, to forestall or minimize direct government lending, and to assure the availability of mortgage credit on an economically sound basis in small communities throughout the country, in remote areas, and to minority groups. The measure by which the program succeeds may well determine the extent to which the government backs off and out of the direct mortgage lending business currently operating at somewhere between $100 million and $150 million a year.

Robert M. Morgan

Those who proposed the legislation had in mind that what has happened in the farm lending field might well take place in the residential lending field if the intrusion of direct lending by the government is not brought to a halt at some point.

The importance of attacking the problem now is that it is still within limits and of such size that it can be handled by private lending, and later it may be more difficult because the direct lending may become too far advanced and too large.

The Voluntary Home Mortgage Credit Program derived its legislative authority from Title VI of the Housing Act of 1954 which provided for the establishment of a National Committee and various regional subcommittees with two members of each section of the industry; life insurance companies, savings banks, commercial banks, saving and loan associations, mortgage companies, home builders, and real estate boards, nominated by their respective trade organizations.

It is a super trade organization deal.

The committee operates under the Administrator of Housing and Home Finance Agency and has advisory members from the Federal Reserve System, the Veterans Administration, the FHA, and the Home Loan Bank Board. The costs of operation are largely borne by the Federal government, but the various committee members' time is contributed gratis. The savings banks are represented on the National Commmittee and on eight of the 16 regional subcommittees.

The law provides that it shall be the function of the committee to facilitate the flow of funds for residential mortgage loans into areas or communities where there may be a shortage of local capital for, or inadequate facilities for, access to such loans, wherever consistent with sound underwriting principles.

I want you to note that no funds for loans themselves are provided under the program. There will be no loans made by either the national or the regional committees. The program is not designed to increase the over-all supply of mortgage credit, nor is it expected to provide an avenue of liquidity for all mortgages, or to make more mortgage money available in areas where the supply generaly is adequate but a shortage exists due to a temporary market situation.

VA and FHA Residential Loans Only Included

And it ought to be made clear that the conventional loans are not within the framework of the program. The plan includes only VA and FHA residential loans.

The legislation covering this matter became law early in August. The national and regional committees have all been appointed. Regional offices are in the process of being established and personnel has been largely recruited. The local committees are defining exact areas in which they will function, and it is expected that actual operations will begin some time in January.

The program is designed to facilitate the flow of mortgage funds for government-insured and guaranteed loans made by private financing institutions to people living in remote areas and small communities and to minority groups. To the extent that the existing network of private financing institutions in the mortgage market does not facilitate a flow of such funds, the program is designed to meet the problem.

It is based on the philosophy that private financing institutions can, if organized, handle the problem without need for more direct government assistance.

The "small community" or the "remote area" to which in part the program is addressed is in general an area of less than 25,000 population, not in a metropolitan area and not in states having adequate mortgage facilities or supply of credit. The final criterion is a sufficiency or insufficiency of facilities actively engaged in making residential loans, insured by FHA, guaranteed by VA, and the availability of such insured credit in the exact community or area.

The member of the "minority group" to which the program applies is the borrower, regardless of race, creed or color, who, though qualifying for FHA and/or a VA loan, does not find credit generally available to him to the same extent and under the same terms as are generally available to others in the eame locality. With respect to such an individual, there is no limitation of small community or remote area.

How the Program Works

I think that brings us squarely to the question: How is this thing supposed to work? In order to expedite the explanation of that, I think I shall read you from the "Voluntary Home Mortgage Credit Program Background Statement" a couple of paragraphs:

"A person seeking a Federal Housing Administration-insured or Veterans' Administration-guaranteed mortgage loan to finance the purchase or construction of a home, may request assistance from a regional subcommittee in locating a lender who is interested in entering into negotiations with the applicant with the objective of making the loan. The application for such assistance will have to be accompanied by a certification from the applicant that he has been refused the type of loan requested by two specified local lending institutions.

"Local builders also may apply for aid in locating sources of FHA-insured and VA-guaranteed financing for homes to be built in areas where the supply of such funds is insufficient. Furthermore, local lenders may ask for assistance in locating other lenders who might purchase FHA-insured and VA-guaranteed loans held by the local institutions.

"Each application for assistance, containing sufficient relevant information for a lender to judge whether he would be interested in negotiating toward making the loan, then would be circulated by the regional subcommittee, first, to other local lenders who had indicated a willingness to make FHA-insured and VA-guaranteed loans and second to other lenders in the region and outside the region who had indicated a willingness to make such loans in the locality.

"Thus, the first opportunity to make the loans resulting from applications under this program will go to local lenders. In the event that local funds for making FHA-insured or VA-guaranteed loans are found to be inadequate, loan applications will be referred to nonlocal lenders by the regional subcommittees.

"In areas where an inflow of nonlocal mortgage capital is needed to make FHA-insured and VA-guaranteed loans, the successful inducement of private enterprise to fulfill this need will forestall the expansion of government mortgage lending activities to meet the problem."

Interpretation of Sound Lending Principles

It should be clearly understood that the individual lending institutions participating in the program must be left entirely free to interpret what is meant by sound lending principles. It is not contemplated in any way that the National Committee or the regional subcommittees of the program would prescribe what is meant by sound lending principles. It is understood that the program is not designed to provide mortgage credit under the maximum terms permitted by law for FHA and VA loans in all cases.

The local participating institutions will be given the first opportunity, as I have said, to review the applications. In connection with applications for commitments to builders for such loans and to complete loans, each institution must be permitted to apply its own credit blank, its own standards of construction, its own loan to value and amortization standards, and so forth. These standards will, of course, change from time to time, will vary as between different lenders and in different geographical areas. It will be up to the regional committees to do their best to find a home for loans with the various lenders who have indicated their willingness to comply with the program.

It is perfectly apparent right at the start that the program will have the assistance and the cooperation of the Veterans Administration. In the first go around the applications which are now coming to the VA for direct loans will be referred in to this program.

Now, what is going to be your part in this thing? Well, obviously, since the entire affair is voluntary, only what you want it to be. Our 527 savings banks have received a bulletin with a questionnaire covering the matter. Two hundred and eighty have replied, a pretty good return. One hundred and seventy-nine have answered in the affirmative. This is a good start, good only for a start—some 30%. More will clearly participate as the value of the program becomes better understood. Those who are now engaged in out-of-state lending are in a position to be of immediate assistance by the single device of assigning a small portion, say 2 or 3%, of their total out-of-state current purchase funds to mortgage acquisition under the program, that is, through their regular servicing contractors, and nothing more than that is contemplated.

Those who do not lend out of state can clearly be of assistance in a small way in most o... own communities in the minority housing field.

In conclusion, let me say that the larger life insurance companies are determined to make this thing work. They have funds to do the job. They are privately ear-marking funds to be sure that it will work. They visualize a direct lending program on the part of the government to the tune of $100 million to $125 million a year can be taken care of by the private lenders, and the preliminary schedules which I have seen of their participation clearly indicate that with the assistance of some of the savings banks, all 48 states will be coverted. Obviously, the states of the northeast section of the country need little by way of coverage.

We, the savings banks, have much to gain, as I see it, by joining with them in this private industry attempt to cut down to size the direct lending program of the government and to make this voluntary program a success.

*An address by Mr. Morgan before the 8th Annual Mid-Year Meeting of the National Association of Mutual Savings Banks, New York City.

Pennsylvania School Financing Completed

CHECK for $23,610,000 representing the proceeds from the first public sale of State Public School Building Authority bonds is presented by T. B. Bassett, of Halsey, Stuart & Co., Inc. (right), to Weldon B. Heyburn (left), Pennsylvania State Treasurer, and a member of the Authority, in the Board Room of the Provident Trust Company of Philadelphia, trustee and paying agent for the bonds. Witnessing the transfer are William R. K. Mitchell, Chairman of the Board (second from left) and Benjamin Sawin, President of Provident Trust.

PHILADELPHIA.—A building program that has kept the State of Pennsylvania in the forefront of the national campaign to alleviate crowded conditions in public schools took a further step toward that goal here on Dec. 28 when a check for $23,610,000 was turned over to the State Public School Building Authority. This check represents the cost of 625 classrooms to accommodate 20,000 students.

These funds are the proceeds from the recent public sale of $23,610,000 State Public School Building Authority of the Commonwealth of Pennsylvania 1954 refunding bonds turned over to the Authority by Halsey, Stuart & Co., Inc., managers of the investment banking group that recently purchased the securities and marketed them successfully. The check, in turn, was presented by the Authority to the Provident Trust Company of Philadelphia, trustee and paying agent for the bonds.

The presentation was made before a large group of officials of the State Authority, members of the banking group, officials of Provident Trust Company, and legal counsel for the Authority at ceremonies in the Board Room of Provident Trust.

This was the first issue of State Public School Building Authority bonds ever offered publicly. The 1954 refunding bonds are secured by all revenues, rentals and receipts of the Authority from 63 projects, consisting of 26 high schools and 37 elementary schools in 103 school districts in 30 counties of Pennsylvania.

Participating in the presentation were:

William R. K. Mitchell, Chairman of the Board and Benjamin F. Sawin, President of the Provident Trust Company of Philadelphia; T. B. Barrett and Louis Hauptfleisch, of Halsey, Stuart & Co., Inc.

Members of the Authority in attendance were: Weldon B. Heyburn, State Treasurer and Dr. Francis B. Haas, Superintendent of Public Instruction.

Also: Russell C. Bartman, Executive Director, and Allan Shaffer, Deputy Counsel of the Authority; George S. Munson and George F. B. Appel, partners in the Philadelphia law firm of Townsend, Elliott & Munson, and James Reynolds, partner in the Harrisburg law firm of Shelley & Reynolds, bond counsel for the Authority; C. Barton Brewster, Vice-President, and R. M. Decker, Assistant Vice-President of Provident Trust; Arthur K. Fickling, Director of the Bureau of Securities and Deposits of the Commonwealth.

Business and Financial Forecast for 1955

By ROGER W. BABSON

Predicting an upward direction of business until mid-1955, Mr. Babson sees likelihood of a 5% increase in the physical volume of business in the coming year. Gives brief statements of the outlook for various industries and forecasts a high degree of selectivity in trends of labor and other costs on individual company activities. Looks for slight stock market reaction in 1955.

General Business: Despite wails from some quarters, 1954 saw a drop in the average Physical Volume of Business of only 5% from the record year 1953. 1955 could see a rise of about the same amount. Certainly, the direction of business until mid-1955 will be upward.

Roger W. Babson

Businessmen Will Wake Up: During 1954 many businessmen rediscovered the meaning of the word "competition." Sales will continue to be made only with real effort in most lines.

Consumption Outlook: Consumption in a number of lines has been proceeding at a more rapid rate than has production. I forecast a better record in early 1955 for both steel and automobiles.

Textile Industry: Textile industry operated at extremely low levels throughout most of 1954. Coal and railroad equipment also exerted a strong downpull. I forecast that the textile and coal industries will be in a recovery phase after their long stay in the doldrums.

Private Construction: I forecast that home building and general construction will be somewhat lower in 1955 than in 1954, but this important industry should still operate at high levels next year.

Public Construction: I forecast that public construction will increase during 1955. This should mean a rise in the output of cement.

Agricultural Equipment: This industry has been suffering from a decline in demand, but should now improve. Government-sponsored planting curtailment and crop loans have reduced free supplies, and may make for higher agricultural prices later in 1955.

Armament Industry: The armament industry will still be one of the main floors beneath the economy. The electrical and chemical industries will move at a rate close to that of 1954.

Other Industries: I am somewhat optimistic on clothing, aircraft manufacturing, air-line transportation, office equipment, electricity output, petroleum production, natural gas, and shoes. I am also fairly bullish on rubber, paper, electrical equipment, certain types of building, and nonferrous metals.

Weather Conditions: It is foolish for me to attempt to forecast rains, droughts, frosts, etc., for any special section. However, taking the nation as a whole, I look for better weather in 1955.

Retail Sales: I forecast that the outlook for retail sales is encouraging, at least through the first half of 1955.

Profits: Stiffening competition is chipping away at the profit margin. Return on invested capital is in a long-term downtrend. The first few years after World War II were the golden years for the novice in business and for the inefficient. Those days are gone for awhile.

Selectivity: Higher labor and other costs, plus intensified competition, will continue during 1955. I forecast a high degree of selectivity in the effect of this trend on individual activities and companies. Victory will be for the nimble and for the strong

Dividends: Recent high expenditures for new plant and machinery have left some concerns with very high depreciation charges. As new capital commitments are cut and depreciation remains high, cash inflow could expand. Such companies should be able to pay out in dividends a higher percentage of earnings in 1955 than in recent years, notwithstanding a moderate profits shrinkage.

Inventories: Inventories have been permitted to run down during 1954. As total business expands, there will be a tendency to replace reduced stocks, especially during the first half of 1955. Total manufacturers' inventories, however, may build up more rapidly than total business inventories. I forecast that total wholesale and total retail inventories will show little change from 1954 levels.

Prices of Manufactured Goods: Even with the expected pickup in demand, I see no sharp markup in industrial prices next year. Over-all supplies are generally ample. Hence, I forecast that industrial prices in 1955 will show little change from recent levels.

Food Prices: Food prices may firm later in 1955. The strong move into government crop loans this year has made free supplies of most agricultural items less burdensome. I forecast that new advertising programs by canners and other great food distributors will help farmers, stock raisers, and fruit growers.

Consumer Income: Consumer income will hold at satisfactory levels. Most goods should move readily into consuming channels.

Living Costs: I forecast that during 1955 living costs will show little over-all change from present levels. There may be some firming during the first half, but the late months may again witness a minor softening.

Rents, Etc.: I forecast rental expenses may edge somewhat higher; clothing costs should be steady to moderately higher. There is small chance that food expenses can be greatly reduced.

Money Supplies: I forecast that money supplies will be ample for all legitimate business needs during 1955. With little likelihood of business getting out of hand on the upside, credit easing is more likely than credit curtailment in 1955.

Inflation: Fears, or perhaps hopes, of an inflationary boom should be buried. Barring outbreak of war, our productive capacity is sufficiently large to meet all demands for goods. I forecast that no runaway inflation is probable, even if the money managers increase the supply of money or ease credit.

Interest Rates: Until the Treasury finds a way to balance the budget, hold business at high levels and unemployment at a minimum, I forecast little likelihood of higher interest rates.

Bond Prices: With the possible exception of tax-free bonds, I see no reason for increased bond prices in 1955. I forecast an increase in the issuance of tax-free revenue bonds.

Stock Prices: After so sharp a rise, the market could have a reaction; but I am forecasting no crash in 1955 such as we had in 1929. In fact, the situation changed for the better Oct. 11, 1954.

Wages: I forecast that the wage trend in organized industry will continue to move higher at least in the first half of 1955. During the first half year, when business will be improving, the labor chieftains will also be quick to resort to the strike weapon.

Other Labor Gains: I forecast that the heavy guns of the labor bigwigs will be trained on the guaranteed annual wage, shorter work week, and more pensions. With a better Congressional control of appointments to the National Labor Relations Board, the decisions of that body will swing more toward labor than toward management.

New Inventions: These will mostly be a labor-saving type. I forecast a marked increase in automation and cybernetics, and other marvelous changes in production methods.

Employment: Unemployment outlook is brighter, since business will be on the upgrade during the first half. I forecast that local and seasonal unemployment will still prove a knotty problem.

Failures: The salient business characteristic of 1955 will be bitter competition. Many companies already weakened by competitive conditions will no longer be able to keep afloat. I forecast a rise in both the number and the total value of failures during 1955.

Mergers: I forecast that mergers and conditions will be encouraged by Federal officials, if, by merging, a weak company can be saved. But while every effort will be made to prevent bankruptcies, Washington will frown on large mergers and consolidations.

General Real Estate Sales: The time is already past due when real estate prices should have been falling. Only a fear of World War III and easy credit have prevented this. Therefore, I forecast that a downturn in prices cannot long be postponed.

Uranium Craze: The greatest speculation will take place in the seeking and trading of land with uranium prospects. This is now centered in Colorado, Utah, and vicinity; but I forecast it will spread in a limited way to many other states and even to "offshore" property. It could exceed the gold rush of 1849. Another demand will be for woodlands which can be bought for a few dollars per acre.

Commercial Farms: These have suffered a decline in price as a result of the slump in agricultural prices and farm incomes. Unless more will be done politically for the farmers next year, I forecast that the recent decline in commercial farm prices may continue during 1955. **Subsistence farms on the fringes of larger cities should hold up well in price as migration toward the suburbs continues.**

Vacant Land in City Areas: With the exception of parking lots, city vacant land should experience a continued slow reduction in price during 1955; but no marked change in suburban vacant land, except for parking. I am very bullish on land anywhere suitable for parking.

Business Property: I foresee little hope for improvement for such property in the larger cities during 1955. Business property in the suburbs has not been so inflated, and therefore will not be so vulnerable to declines and high taxes.

Industrial Building: The construction of new industrial plants gives every indication of continuing to mark out a downward course during 1955. I forecast that the brightest spot on the construction horizon for next year is the prospect for increased municipal construction—schools, hospitals, etc.

Residential Construction: The building of new homes has held at very high levels during 1954. Although I expect the trend of **new home** prices to be downward during the year 1955, they will still persist at very high figures, at least during the first half of the year. New homes will continue to be the choice of purchasers, even though older homes give better values.

Taxes: The Eisenhower Administration has clearly recognized that expanding business and increased expenditures for plant and equipment are the true sources for rising employment and more jobs. I forecast a continued aim during 1955 will be to have taxes aid business and thereby help employees to more and better jobs.

Income Taxes: I forecast there will be no further relief, in 1955, of the double-taxation feature on dividends or of the 25% capital gains tax. Furthermore, corporation income taxes will not be permitted to decline as scheduled next spring. I forecast that, unless business slumps more than I anticipate during late 1955, there will be no reduction in personal income taxes next year, except to correct some technical errors. Any relief for the individual "small" taxpayer will be saved until the election year, 1956.

Politics: The really big political news in 1955 will not be made by the laws that will be enacted, but by the tremendous preparations for the 1956 Presidential campaign. Those who claim that President Eisenhower is at heart a liberal and will get along well with a Democratic Congress should remember the lessons of politics.

World War III: In my opinion, the initiative in international affairs still rests with Russia. The Kremlin is not yet ready for an all-out attack and no one in the West wants World War III. Malenkov is now pushing a "Peace Offensive." I am referring here to the year 1955—over the long term, I still feel that a major holocaust is inevitable, but I forecast no World War III in 1955.

Foreign Aid: Our foreign efforts during the year will continue to aim at plugging the leaks and building new dykes against the flooding tides from the East. I forecast we will work hard to build up Europe, with Germany as the core; but Russia will make spectacular gains in the Far East, particularly in India.

Foreign Competition: As Germany rearms and the Brussels Treaty Organization goes into gear, I forecast further improvement in Europe. Competition from European manufacturers will, however, intensify. Reciprocal trade deals will be pushed. I would not be surprised to see a decline in our exports in 1955 and an increase in imports.

Churches and Charities: I forecast that the spiritual awakening which started in 1954 will continue into 1955 with an increase in Church members. This is a very important sign. Gifts to charities will also increase, due to the more liberal allowance on taxes, up to 30%, provided 10% goes to churches, schools, or hospitals.

Travel and Sports: I forecast more money will be spent on travel and sports in 1955. This is becoming an important new industry and should especially benefit Florida, California, Arizona, New Mexico, the Great Lakes Region, New England, and the Northwest.

New Metals and Alloys: Next to air conditioning, I expect great growth in the use of new metals and alloys. I forecast the rare-metals stocks will be sought in 1955 as were the oils in 1954.

Advertising: I forecast business spending in this field will increase further in 1955. It not only is the salvation of individual businesses, but is the best stimulant for national prosperity.

Population: I forecast the population will continue to increase during 1955, with a growing percentage of young people between 18 and 22. This means a greater demand for clothing, college education and especially for new school buildings.

Conclusion: Develop Faith, Meditation, Health, and Good Works —with more attention to your family—to create reserves for real trouble which some day will come. GO TO CHURCH!

Batchker, Eaton to Adm...

On Jan. 7 Samuel Z. Gelse... will become a general partner and Joseph S. Eaton a limited partner in Batchker, Eaton & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Government and Banking

By J. P. DREIBELBIS*

Vice-President, Bankers Trust Company, New York

New York bank executive, in reviewing relations of government to banking, surveys changes resulting from the Administration's policy to get government out of private business. Refers to the liquidation of the RFC and the story of the distribution of outstanding RFC loans. Discusses the problem of loans to small business, and urges banks set up programs in this field such as has been already adopted in Maine.

The subject assigned to me is "Government and Banking"; and, as a preface to my remarks, I would like to make a couple of very general observations. First, the purpose of these meetings, for the most part, is to take a look ahead; and, on this score, my subject is an easy one. Whatever changes 1955 may bring in comparison to 1954, they will be imperceptible. Second, my topic is so broad that I could address my remarks to most any subject and not be too far off the beam. In our industry, we have the government as a supervisor and regulator, as a competitor, and as a partner—to say nothing of the many other points at which government touches our industry as well as others. My remarks will be limited to one episode involving one phase of the subject.

J. Paschal Dreibelbis

One of our favorite "gripes" is addressed to the government as a competitor. One of the favorite "gripes" of our critics is our alleged failure to take care of the banking requirements of small business. I disclaim any special knowledge or experience in relation to either of these subjects, but it does happen that, by purely fortuitous circumstances, I have had a small part in a large program which has been well launched but not yet completed and which I believe will be found to have had considerable significance in both of these areas when the final story is told. I am equally sure that its impact in the area of public relations will also be definite and important. Finally, I believe that the verdict, for good or for evil, will depend in large measure upon the success or lack of success in carrying out the program.

The story begins in the spring of 1953. A new Administration was in office. Among other things, it was dedicated to the preservation and promotion of "free enterprise." Whatever that term may mean to however many different groups of peoples, there are, I believe, certain basic philosophic grounds on which all of us here find ourselves in accord. One of the most important of these is that we all like to see the government out of those areas which by instinct and tradition we regard as belonging to "private enterprise." Let me hasten to say that this paper cannot undertake to define those areas, if for no other reason than that they range from such things as coffee-roasting and car-washing on one extreme, to the postal system on the other. Suffice it so say that the philosophy of the Administration on this score has been to our liking, and its progress commendable. In other words, there has been a conscious and general movement toward getting the government out of private business.

Liquidation of the RFC

An important manifestation of this movement came when Congress ordered the liquidation of the RFC. Ken Cravens was drafted to do the job, and he was later joined by Larry Robbins—both of whom we are fortunate in having with us today. Let me add that this whole country was fortunate in having such men to do the job. When they took over, the government's total stake in the RFC was measured in billions, not millions, of dollars. Theirs was the twofold job of disposing of these tremendous assets and of liquidating a large, nationwide organization. Included in these assets were many so-called small business loans. Everyone knows that it takes as much or more time, trouble, and expense to administer small loans as it does for big ones. So it was felt that if a way could be found to save the administrative costs of handling the smaller loans, it would do more than most anything else to expedite liquidation of the RFC.

A primary problem, therefore, was the disposition of these loans in order to reduce the drain on RFC administrative expense and to reduce or eliminate the nationwide organization, which (incidentally) would otherwise have been temptingly available for further excursions by the government into the field of business loans. There were also other important considerations. For one thing, the pressure of the debt limit was such that the Treasury was anxious to translate assets into cash. Also, many thought that bringing the RFC borrowers into closer contract with their local banks would be good for them and good for the banks. This then was a real opportunity for the private banking system, at the request of the Administration, to implement, not by talk but by action, the Administration policy which it itself had strongly urged.

Ken took his problem to Ev Reese of this association and to George Eccles of the Association of Reserve City Bankers. Each appointed a committee of three—Fred Florence, George Moore, and Dick Norris from the ABA; and Dick Aishton, Frank King, and me from the Reserve City. Chet Rude subsequently replaced Frank King because of an emergency operation which interrupted his service. These committees by common consent resolved themselves into one committee, and they were either nice enough or mean enough to make me Chairman. We later called ourselves the Temporary Central Advisory Committee, and still later were elected and became the Central Advisory Committee. Lest I be misunderstood, let me make it abundantly clear, right now, that this is not a campaign speech to keep the position.

It was the job of our committee to determine whether a deal was feasible and, if so, to negotiate it. Various plans were considered; but, in the process, the concensus turned to the creation of a pool of loans, the sale of participating interests, and the enlistment of banks to service and collect the loans. This is the essence of the plan which was adopted, but do not for one minute think that because both sides are sitting on this platform today it was not negotiated at arm's length. All you have to do is look at the personalities involved to know that a good part of my job was to act as moderator. Another conclusion at which we arrived very early was that any such plan, on its face, should demonstrate not only that it was not a "give away" but that it was a constructive effort on the part of the private banking system, at the request of the government, to lend its assistance. Secondly, it had to have the active support of a large number of banks. Finally, it had to be sound creditwise.

Here we were fortunate indeed. Chet Rude was prevailed upon to head up a group composed of one banker for each of the eight RFC Regional Districts. This was a "blue ribbon" group. They came to Washington, met with Chet and RFC officials in the formulation of ground rules for making an appraisal of these small business loans; went home and surrounded themselves with other good bankers and credit men; and, working with the local RFC officials, made an appraisal of each loan. I wish to add with emphasis that these same RFC employees—in Washington and in the field—working themselves out of a job, if you will, responded with the fullest co-operation. It was on the basis of this appraisal that the Central Committee acted.

With the appraisal figures before us, our studies and negotiations continued and culminated in the plan announced at last year's meeting of this group. Some 2,841 current business loans under \$500,000, with total unpaid balances of the effective date of this plan of slightly more than \$73 million were put in the pool. The Federal Reserve Bank of Chicago agreed to act as fiscal agent for the RFC; handle the accounting, and issue certificates of interest, up to the amount of the agreed advance. Certificates of interest were to be offered to all banks as well as to the public at large. We hoped that the list of subscribing banks would be large. Servicing of the loans was to be by local banks in the respective areas of the borrowers and, hopefully, by the borrower's own bank of deposit.

The plan further provided for Regional Committees to be appointed in each of the 12 Federal Reserve Districts to follow and assist in the servicing of the loans. Principal payments would be applied to reduce the outstanding amount of certificates to an amount approximating the RFC's interest in the pool, with the FRC having a right at that time to share in the proceeds of the principal collected until its interest was reduced to \$15 million. This right would be predicated on and effective only so long as the ratio of the amount of certificates of interest outstanding did not exceed 50% of the total of "current" loans in the pool. That there should be any sharing at all before payment in full of all certificates of interest is only another indication of the committee's awareness of the public interest involved in the plan and a desire to lean over backwards in this respect.

We arrived at the amount of certificates of interest to be issued in the following manner: Every loan in the pool has been appraised. All were secured; a large proportion was well seasoned: no loan was in excess of \$500,000; approximately 93% were under \$100,000; and 66% were under \$25,000. They were widely diversified both as to geography and types of businesses. We concluded that, in all the circumstances, an 80% advance against the aggregate appraised dollar value of the loan pool would be both fair and prudent. The resulting figure, translated into a percentage of the face amount of the loan pool, was 64.4%.

We suggested and agreed to an interest figure of 3½% on the certificates of interest. Bear in mind that the market in which that rate was fixed was a far tighter one than has existed since; and, for many of the banks in the pool, even now such a rate seems low in comparison with their current rates to regular borrowers. Moreover, the average rate for the loans in the pool over their life under the original terms is 4.7%; and the government is the benficiary of this spread. True, within this spread is provision for expense; and beyond that, the funds are impounded until the certificates of interest are paid. However, it was always the thought that there would be a cash benefit to the government as well; and, if there was any "give away" in the interest rate, we can safely say that it was not in our direction.

So the program was initiated in an offering made by the RFC. Barney Ghiglieri was drafted to hold a series of meetings spread over the country, and in the too short time available to him made invaluable contributions to the success of the undertaking. When the books were closed, there were 929 subscribers, including 21 non-bank investors, for a little over \$135 million. They represented every state in the Union, except one. Personally, I wish there had been more—not that this figure indicates any lack of success, but only that if it is a good program, it follows that with more banks participating, it would have been even better.

The appraisal groups, at our request, acted as temporary regional committees, and later, with additions, constituted the Regional Advisory Committees. Let me say at this point that here is a large group of fellows who have really done a lot of heavy and onerous work without any reward and very few thanks. Theirs was also the job, along with the RFC, of procuring servicing agents, of which there were about 1,189, to service about 2,800 loans. They exercise certain discretionary authority in the day-to-day servicing of the Pool loans, assist in following delinquent loans, and perform other services—all of a thankless nature for which they have earned the gratitude of every one involved. On them and the servicing banks, for who can be said almost the same things, depends the final success of this program.

Now to what has happened since March 30, 1954, when the Pool became effective. Here I am going to hit only the highlights. At the end of October, or after eight months, about \$24.5 million had been collected on principal. A little short of 750 loans had been collected in full or refinanced outside the Pool. The amount outstanding on certificates of interest after applying the proceeds of October principal collections showed a reduction from \$47,165,000 to approximately \$22,700,000. The ratio of the amount of certificates outstanding to current loans in the Pool had declined from 64.4% to 49.68%, and the time when the government could share in the proceeds of collections of principal had arrived.

Our job is not complete, and it may be some time before it is. Nevertheless, in the light of the progress to date, I think it is fair to take a look today at what we were trying to do and how much of it we have done. The plan was to provide immediate cash to the government from the sale of the certificates; and this was, of course, accomplished. It was also thought that through the bank servicing arrangements, borrowers and banks would be brought together in their own communities, and much could be done toward restoring normal relationships between this group of borrowers and private lending agencies. Some of the effect in this direction can no doubt be measured in the more than 750 loans which have been paid in full or refunded. Finally, it was a purpose to reduce the expense of the government and, at the same time, "to protect the taxpayers' investment in these loans and assume the recovery of every possible dollar." It is significant that under the present regime, the number of employees in the RFC on next January will be not more than 250, or a little more than 1/10 of what they were at the beginning of 1953. The administrative expense will be at an annual rate of about \$2 million as opposed to \$15 million at the beginning of 1953. We can claim only a contribution to this remarkable showing, and real credit goes to Ken Cravens and Larry Robbins in carrying out Administration policies. We can take pride, however, in the fact that it was a substantial contribution; and I quote from Larry's June 30 Report to the Congress, as follows:

"Special mention should be made of the cooperation and assistance generously given by the banks of the country in setting up the pool, in subscribing to the certificates of interest, and in takings over the servicing of the pool loans. Without this assistance, the Corporation's organization and administrative costs would not have been substantially reduced, nor could the liquidation program have made nearly as much progress."

The Taxpayers Protected

To date, I think we can claim with equal force that we have protected the taxpayer by recovering every possible dollar on these loans. On that point, I do have this one very pertinent comment, "We ain't home yet!"—and do not misunderstand me. That is not based on any "gloom and doom" forecasts. The simple facts are that under almost any conceivable circumstances, we will be collecting loans for the account of the government for some time after our certificates of interest have been paid, and at a time when we will have no pecuniary interest in the loans beyond the negligible service fees more than earned by servicing banks. Here I would like to be permitted a purely personal observation. Many of us spend a lot of time and money on how to build good public relations. This program, in my opinion, is just crammed full of public relations of a type people can and will understand. I am confident that if we do a constructive banking job with the borrowers and a successful collecting job for the taxpayers, we will have put overone of the best public relations jobs imaginable. I shudder to think of the bad will which would follow a bad showing. The test of private banking will extend over the entire period of the program, and the marks on our report card will come at the end. This is one test on which we had best make an "A"!

The Problem of Loans to Small Business

In addition to the public relations aspects, I think there are some other implications to be drawn from our experience with the program, even to date. They relate to the perennial subject of "loans to small business" and the Small Business Administration, whose creation and activities have been viewed, by most of us, with considerable misgiving. They relate as well to some of the criticisms leveled at us. It was a sad day when the question of loans to small business got into politics. I guess the facts are that it simply has too much appeal to keep it out, but the result has been the

*An address by Mr. Dreibelbis before the Seventh National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 16, 1954.

generation of more heat than light. We know that an overextension of credit does not solve a need for equity. We know the difficulty under our tax structure of increasing equity by retained earnings. We also know of resistance, at times, to the dilution of existing equity by additional equity, even if it is available. Moreover, we have often heard economists, as well as others, comment on the contribution to the development of this country made by busted banks; and I do not think the people want our stockholders or our depositors to pay again in that manner for the expansion of either small or large business. My personal opinion is that we will not soon get this question out of politics; but in our daily contacts and in such forums as are available to us, let's preach the gospel and try our best to put it in its proper perspective.

On the other hand, there may be, and, personally, I believe there is, one area in which the little fellow may be at a disadvantage; and that is a place to borrow long term money which he expects to repay out of earnings. I refer to a market for long term money, the availability of which may to some extent depend on the size of the loan. There are many factors which govern a bank's entry into the long or semi-long term field, and there are many limitations which affect particular banks in different ways and in different degrees. Why this baby should be left on the banks' steps has puzzled me, but it has. I, for one, certainly do not think that the private banking system is the answer to this problem. On the other hand, all of us have seen a good many term loans on a 90-day basis. This leads to my final observation. Of 2,848 loans originally in the Pool, nearly 750 were paid in full in the first eight months of operation. This could only mean, and it can be established, that much of it has been by way of refunding by banks. Every one is a loan which some bank originally refused to make. I am not suggesting that the first decision was wrong and the second right, nor that we should all dash out and make a bunch of marginal loans. I am suggesting that we should make an intelligent approach to the problem, and my hat is off to the programs exemplified by that adopted in the state of Maine and to the banks who have taken the lead in setting up their own plans. I am also suggesting that we continue our efforts to be able to say at all times that private banking can and will meet all legitimate demands for bank credit.

Finally, before sitting down, I would like to tell a story which has an application on my last point. It occurred in the '30s when the Production Credit Corporations were the favorite whipping boys of a good many of our colleagues. I recall one big indignation meeting in Dallas. Included in the attendance was a well known salty old character (I wish I could remember his name) who ran a little country bank over in East Texas. There were a very few controversies in which he was not willing to take a positive and vocal part; but to every one's astonishment, all during this meeting he was strangely quiet. With such a reputation it was only natural that the chair call upon him for an expression of his views. He rose and in his Texas drawl observed that in his experience a Production Credit man on his seat had never been much competition for a banker on his toes. My point is—"Let's wear out more shoe leather and less seat-of-our-pants."

Municipal Capital Outlays—A Force in Economic Stability

By E. GORDON KEITH*

Staff Economist, Council of Economic Advisers

Dr. Keith stresses importance of States and municipalities setting aside reserves to be used for public works in periods of business recession. Reviews means at hand and those proposed to stabilize business, and explains role of government in the process. Points out local governments should manage their expenditures and receipts so as not to counteract efforts made elsewhere to promote economic stability. Advocates advance planning of public works, so as not to delay their application in the economic stabilization program.

The idea of using local public works to help counter the business cycle is an old one; we can find references to it in economic writings as far back at the late 18th century. But until the nineteen thirties, attempts to put the idea into practice were generally both isolated and brief. Even during the thirties, when the Federal Government was making heavy financial contributions in support of State and local public works programs, most of this aid served only to replace State and local financing. Despite substantial amounts of Federal aid, total public works expenditures remained below 1931 levels, in constant dollars, until 1936; and in that year, the total outlay was only one-sixth higher than it had been in 1931.

Dr. E. Gordon Keith

The failure of public works to bring us out of the depression of the thirties has led some economists to conclude that this would be a weak reed on which to lean in the event of another serious recession. Moreover, with the sharp increase in Federal expenditures and taxes that has occurred since 1939, and with the increased responsibilities which the Federal Government has been given for the maintenance of economic stability under the Employment Act of 1946, less attention has been paid to the part which the State and local governments can play in the pursuit of this goal.

But one should not overlook the fact that the objective of public works expenditures is likely to be much more limited in future recessions than it was during the thirties. Since that time, we have built into the economy a great many stabilizers that we did not have in 1932 and 1933. Unemployment insurance, farm price supports, and mortgage insurance, all tend to prevent a recession from deepening into a serious depression; and the very size of the present Federal budget is itself an anti-cyclical factor of no small importance. Moreover, we need not be as unprepared as we were in the early thirties to make effective use of public works outlays in combating a prolonged depression.

While it is true that State and local government expenditures represent a much smaller proportion of total government expenditures today than they did in 1939, it should be observed that State and local expenditures on goods and services do not represent a much smaller percentage of the Gross National Product today (7%) than they did before the war (9%). Furthermore, while public construction represents a considerably smaller part of total new construction than it did in 1939, the monthly average for Federal, State and local construction was $948 million in 1953, or about one-third of the monthly average for total new construction of $2,938 million. Of this $948 million of public construction, about one-half was local construction.

There is, then, no reason to believe that the capital expenditures of local governments cannot make a significant contribution to economic stability if we want to use them counter-cyclically. But success in countering cyclical instability through public works outlays requires careful planning as regards both the projects themselves and their financing. I should like to deal briefly with each of these matters this evening; but before doing so I should like to try to bring the problem of cyclical instability itself into a little sharper focus.

I

The problem of maintaining stability in our economy may be viewed as a problem of stabilizing total effective demand at a level just high enough to keep the labor force employed for the number of hours and days which make up the standard work week. By total effective demand, we mean the total money spent on the current physical output of goods and services, including those which are provided by the government, and for which payments are made in the form of taxes rather than in the from of market prices. The total effective demand for any given period of time is, therefore, a summation of the expenditures on a wide variety of articles and services ranging from suits of clothes to electric generators, and from haircuts to the services of architects and engineers. Economists have, however, found it convenient to lump these different expenditures into four principal groups: expenditures on consumers' goods; expenditures on capital goods, including business inventories and individuals' houses, the technical term for which is gross private domestic investment; net foreign investment, or the excess of goods and services sold abroad over foreign goods and services sold to us; and government purchases of goods and services. In 1953, personal consumption expenditures amounted to $230 billion, government purchases to $85 billion; and domestic and foreign investment outlays to $50 billion. Together, these add up to a sum of $365 billion, which was, of course, the value of our Gross National Product for that year.

The level of total effective demand is a major factor in determining the level of economic activity at any given time. When total effective demand is rising, production and employment will also be rising because businessmen will be finding it profitable to increase output; and when total effective demand is falling, production and employment will also be falling because businessmen will contract output when they find difficulty in selling what they have produced, or when they see their orders declining. The level of total effective demand also influences prices. If demand continues to rise after business firms have reached the limits of their productive capacity, the competition for scarce goods will drive prices up until the gap between what the consumers and businessmen and the government want to spend and the market value of the goods and services available for purchase is closed. Similarly, at times when total effective demand is falling, prices as well as production and employment will tend to fall.

But why should total effective demand rise or fall? Doesn't demand depend upon income? And isn't income generated by production? Why then should not any level of production justify itself, and why should it ever change? It is, of course, true that there are two sides to the income-product coin. In the course of turning out that $365 billion of goods and services which were purchased in 1953, employees were paid $209 billion, business proprietors, landlords, and lenders received $57 billion, corporations earned $39 billion, and corporate and unincorporated businesses kept $30 billion as depreciation reserves and paid another $30 billion to the government in the form of indirect taxes. If you add these figures up, you will find that they also come out to $365 billion.

If, then, the income generated in the production process was all spent in the next period, and if the expenditures in the next period could not exceed the amount of income generated in the previous one, there would never be any reason to change the level of production, and there would be no problem of instability. But, as we all know, this is not the case. Expenditures do depend upon income, but not exclusively so; at times they can exceed, and at times fall short of income. It is this that creates our problem.

During any given period, total expenditures and total receipts have to equal each other because, as we have seen, they both add up to the Gross National Product for that period. But the receipts and expenditures of the various sectors of the economy do not have to equal each other. The expenditures of individual consumers typically fall short of their receipts, with the difference representing personal saving. On the other hand, the expenditures of businesses typically exceed their receipts. The difference between receipts and investments in the international account is usually quite small; but the difference between government receipts and expenditures, net of transfer payments, may be quite large, and may show an unbalance in either direction.

For example, in 1953, consumers' receipts exceeded their expenditures by some $20 billion, and the excess of receipts over expenditures in the international account was roughly $2 billion. On the other hand, business expenditures exceeded receipts by $16 billion, and government expenditures exceeded receipts by more than $6 billion. Setting up the accounts in this way helps us to see the key factors responsible for the fluctuations which we know as inflations and depressions; it also helps us to see the role which government has to play in countering inflationary or deflationary pressures.

For example, take the recession which occurred between the second quarter of 1953 and the third quarter of 1954. During this period, the Gross National Product fell from an annual rate of $370 billion to one of $356 billion. If we were to look at the accounts, we would see that this decline came about largely as a result of a $10 billion decline in gross private domestic investment, and a $14 billion reduction in Federal expenditures, which were offset in part by a $4 billion increase in personal consumption expenditures, a $3 billion in net foreign disinvestment, and a $3 billion increase in State and local government expenditures. But for these offsets and the continued confidence of businessmen in the future, the decline in income and the rise in unemployment would have been much greater; and a sharper decline in income could have set in motion the cumulative forces of a more serious recession. Had this happened, the government would have had to take stronger steps to correct this situation. As it was, the effects of the stabilizers, the strength of both private and local public construction, and European recovery made this unnecessary.

II

What ought the role of government to be in stabilizing total effective demand? Twenty-five years ago, it was generally accepted that the greatest contribution which the government can make to recovery during a recession was to maintain public confidence in its own solvency. Since government receipts tend to decline along with other receipts when total spending falls, this meant raising taxes and cutting expenditures during a recession; and many of you will recall that it was exactly this type of a fiscal program that both the Republicans and the Democrats tried to put into effect in the early thirties. But, as the Chairman of the Council of Economic Advisers pointed out in Detroit not so long ago, "Today it is no longer a matter of serious controversy whether the government should play a

Continued on page 28

*An address by Dr. Keith before the Conference on Financing Capital Improvements, Lafayette College, Easton, Pa., Dec. 1, 1954. The views presented in this paper are those of the Author and do not necessarily represent the views of the Council of Economic Advisers.

Competition and the Canadian Scene

By JAMES STEWART*

President, The Canadian Bank of Commerce

Prominent Canadian bank executive in a review of the economic outlook, recalls that in last decade Canada has managed to more than double its productive output. Says, however, there is evidence to indicate slowing down, for the time being, in the rate of the over-all economic growth. Notes some shift in the capital investment scene during last year, but holds high rate of capital formation in Canada continues to be a strong force in maintaining peak level employment. Foresees intensified competition in Canada, both from abroad and among Canadian producers.

As this year draws to a close, evidence is mounting to indicate slowing down, for the time being, in the *rate* of our over-all economic growth. The commercial and industrial situation this past year is by no means depressed—in fact, if it were possible to draw up a balance sheet of Canadian conditions it would show a substantial surplus on the favorable side. However, careful examination of the record reveals a somewhat spotty pattern of activity with both gains and losses showing up in a number of areas and in a number of industries. Having regard for the adjustments that are taking place both domestically and abroad (and their impact on business generally and specifically) management well might direct attention to the policies within which business must be conducted as well as to the course to be pursued in the period ahead.

James Stewart

It is generally agreed that government policies of the past few years designed to maintain some measure of stability in a growing economy have been successful. We are now entering a period when business must, on its own initiative, test the strengths and weaknesses in the market place. During the past few years there has developed a feeling in some circles that business fluctuations can be smoothed out, even corrected, by various monetary and fiscal measures. On the other hand, a skepticism continues to be felt as to whether government intervention can cope with all unfavorable developments. In a large measure solutions will depend on the kind and degree of problem to be solved. On us as citizens—corporate and individual—much will depend on the position we take on domestic and international issues. For example, are we prepared to pay the price for "full employment"—assuming the price can be estimated; do we favor price-supports to maintain floors under prices that otherwise would be brought into line with demand; do we approve of special protection for special industries in the light of our position as a trading nation? These and other vexatious issues, concerning which the people as a whole are vitally interested, call for early and objective thinking in the light of the re-emergence of a buyers' market.

In dollars of stable purchasing power we have managed within a decade to more than double our productive output—an unparalleled accomplishment. In inflated dollars our record is of course more dramatic—though somewhat unrealistic. Of more concern is that an aggregate such as Gross National Production — with or without an inflationary bias—cannot record unevenness in regional development and certainly clouds the relative position of firms within an industry and conditions as between industries. But what possibly has not commanded the attention it deserves is that with an expanding population and a growing labor force, it is necessary—assuming economic stability—that productivity move forward in relation to this growth. If our standards of living are to improve, the rate of increase in productivity should be somewhat greater than the rate of population growth. When, in fact, production remains constant or declines then this is a warning that changes are called for in both business and government policies.

*An address by Mr. Stewart at the 88th Annual Meeting of the Canadian Bank of Commerce, Toronto, Canada, December, 1954.

The Agricultural Situation

The agricultural situation this year has changed relative to last year. The picture has been affected in no small way by the capriciousness of the weather. An unofficial estimate of a 250 million bushel wheat crop for the prairies this year follows three consecutive years of crops over twice that size. Even the diminished yield does not tell the full story. The composition of the crop is even more revealing, as witness the estimate that a substantial percentage of this year's crop will be rated as feed. Manifestly, the difficulties of marketing a mounting grain surplus in competitive foreign markets is somewhat alleviated as a result of this year's outturn. However, any adverse effect on the income and purchasing power of the prairie farmers soon becomes evident and in turn affects, to some degree, the overall consumption pattern for the months ahead. Production of most of our principal grain crops, with the exception of flax, is down this year. Another unfortunate loss occurred in Nova Scotia where a large percentage of the apple crop was lost through hurricanes. On the brighter side, the production of most canning crops was equal to or better than last year; cattle and hog marketing prospects are good; and the output of dairy products is up. Although trends vary, exports of agricultural products are generally downward. However, the level of domestic food consumption remains high and should remain relatively stable.

Industrial Production

Shifts that have taken place during the year in industrial production have been largely the result of changes in the pattern of domestic consumption, foreign demand and investment. Generally speaking, consumer expenditures are tending to reflect a shift in emphasis from heavy goods — refrigerators, freezers, radios and the like to non-durables and services. Foreign demand for Canadian manufactured goods has tended to decline although exports of raw and semi-processed goods have been fairly well sustained. The third factor, the shift in investment from expenditures on plant, machinery and equipment to commercial, institutional and residential construction, also has exerted some influence on the patterns of industrial production.

As a consequence of the above factors and the growing competition of foreign imports, the volume of production of durable goods has declined in recent months by more than 10% from 1953, while that of non-durables has been only fractionally lower. The decline in production and the increase in inventories has been most marked in the manufacture of motor vehicles, electrical appliances, and many iron and steel products. Production of non-durables, such as tobacco, chemicals, petroleum products and food, has generally been higher than that of 1953, while output of textiles, rubber products and leather goods has been slightly reduced.

Mining production has been very well maintained this year. Higher prices have stimulated an increase in the production of certain base metals. Petroleum output has continued to reach new peaks. On the other hand, that of primary iron and steel has been cut almost 25% below last year's levels.

Shift in Capital Investment

This year there has been some shift in the capital investment scene. Before dealing with this, I would draw attention to the generally high rate of capital formation, which continues to be a strong force in maintaining peak levels of activity and employment. At the outbreak of war in 1939 capital investment was at a level of about 14% of Gross National Production. This percentage declined somewhat during the war years until 1946 and since then has continued to increase each year to a postwar high this year of over 24%. At this stage an important question arises as to the rate of capital investment that is necessary to a steady and sound growth in our economy; and a second question as to whether we should depend on capital formation to the extent presently apparent to maintain a steady rate of growth of the economic machine. Bearing in mind the size of our domestic market and the competitive uncertainties in the foreign field, particularly for our manufactured products, it may be that for the time being the limits of capital expansion have been reached in some fields.

This year has seen some shift in the components of aggregate investment. Estimated capital expenditures in 1954 are expected to be about 3% greater than last year—a 6% increase in construction expenditure and a 3% decrease in machinery and equipment expenditures. Strength is expected particularly in the services sector, which includes trade, financial and commercial services. Utilities also show strength. These sectors have absorbed an increasing share of total investment this year. We are also witnessing a shift in the direction of capital industrial investment. Whereas 22% of capital expenditures went into manufacturing industries in 1945, only 15% of such expenditures are expected to have taken place in manufacturing in 1954. This is the result, not of a slackening pace in the manufacturing industry, but of the rapid gains made in other categories particularly in utilities (15% to 21%) and the services.

Defense Outlays

Military expenditures have pretty well had their impact on the reallocation of resources and manpower. Although these expenditures continue to account for over 40% of the Federal budget, outlays of this present magnitude have not had the distorting effect that was expected when the preparedness program was initiated three years ago. This, I suggest, is due in a large measure to the increasing productivity that we have been experiencing and the kind of military expenditures that have been made. I would, however, draw attention to the possibility that expenditures reaching about one-half of the total budget have tended to be concentrated regionally, which in turn must be benefiting some areas to a greater extent than others.

Moreover, our preparedness program has tended to concentrate on some of the most expensive aspects of electronic and aeronautic engineering, so that in a sense such expenditures cannot be viewed as an accelerating force in the over-all economic picture. This may well be our agreed-upon position in the NATO and North American defense schemes and on this level there perhaps is little room for disagreement. It should, however, invite examination of the impact of its present direction and size on the over-all economy and perhaps invites careful re-examination of resource and employment allocations. Perhaps as international conditions improve a reappraisal of policy will follow. I think that this is in the minds of us all, for neither a war economy nor a rearmament economy provides a conceivable basis for an enduring social order.

Canada's Trade Position

On the international scene, our trade position this year has followed much the same pattern as last year. Both imports and exports have each month been smaller in value than in the corresponding months of last year. In the first nine months imports were lower in value by 8% although prices of imported goods were fractionally higher. Those from the United Kingdom and the United States, our two largest suppliers, were down about 11%. Figuring most significantly in the decline in import values were textiles, including both raw materials and finished products of cotton, wool or synthetic fibres and iron and its products, farm machinery and motor vehicles. Food products were the only broad category showing an increase in imports.

During the same period over-all exports also declined 8%, those to the United Kingdom by 9%, to the United States by 5%, and to Europe by 17%. The commodities most effected by the declining foreign demand were wheat and other grains, which dropped in the nine month period by 40% from a total of $582 million in 1953; and iron and steel products which were more than 17% below last year — in particular, ingots, rolling mill products and automobiles, to mention a few. Lumber, wood pulp, aluminum and nickel were slightly above last year's export values.

Thus, the merchandise balance this year, in the first nine months, was a deficit amounting to $187 million, $39 million less than the deficit in the like period a year ago, with a smaller surplus balance with the United Kingdom and a smaller deficit balance with the United States.

More Intensified Competition

It is evident that we are in a period of competition, which in course of time may become more intensified, yet it would appear that the influences of a sellers' market during the past decade continue to prevail and consequently have made adjustments to competitive conditions somewhat more difficult to achieve. We are, in fact, witnessing the emergence of at least three kinds of competition: in foreign markets, where it involves some of our exports; and in the domestic field, where, first of all, there are felt the effects of imports from foreign countries, and second as between our own firms and industries.

Bearing in mind the revival of a buyers' market, the consideration of price looms increasingly large. In our country, where size of markets as well as their geographic locations makes price and wage comparisons with other economies invidious, it is necessary due to competition to consider costs, and hence prices, of many commodities in realistic relation to prices elsewhere. We hear on many sides of relatively high costs being detrimental to sales in the present competitive market. If this be the case, then every effort to reduce costs must be made.

Where productivity or other conditions can be improved to reduce costs it is imperative that plans be made to achieve this as soon as possible. In many cases, an increase in output could reduce the per unit cost of the product and thereby improve its competitive position. In other cases, it may be that technological improvements are necessary to restore the industry to a better relative cost relationship to competitors. In yet other cases, it may require management to re-examine and where necessary revise production and marketing policies in line with the changes that are now taking place in the market. I may be unduly optimistic in my belief that there is sufficient latent ingenuity in our business community to meet the developing competitiveness, yet our success during the war in meeting the demands made upon us at that time lead me to believe that my optimism is justified.

Since, as I have noted, competition arises in several forms, and since we cannot usefully separate our domestic from our foreign activities except in certain specific instances, the question of protection looms increasingly important. One of the questions in the field of foreign trade that cannot be ignored centers on the extent to which we consider tariffs as a device to support the economy. I have recorded on other occasions my belief that with regard to "protection" the long run rather than the short run position is to be preferred because of the dynamic growth character of our economy. If we pursue the objective of diversification of industry, both primary and manufacturing, there is bound to be conflict with imports, particularly in manufactured goods.

Nor is there much to be said for the view that we can concentrate our attention on exports while ignoring the import problem. Nations who buy, or who might be prepared to buy from us, in the final analysis expect to pay in their goods. Trade has to be viewed in the form of input as well as outflow. Or to illustrate in a more homely fashion, any industrial organization has a purchasing as well as a sales department. Except in special circumstances, protection invites retaliation and, for us, this form of activity would be inimical to our desire for improved standards of living.

Canadians generally have given, I believe, serious attention to the position taken by the government in 1945 to the effect that it would be the duty of the government to maintain a climate within which business could develop and expand. It now appears that the definition of *climate* invites examination and clarification. There seems to be a belief that business—small or big—can, should, and does operate in an atmosphere of perfect competition. Because of existing conditions of mass production, indigenous geographic characteristics, and growing elasticity of substitution and the like, we are in process of change.

For example, substitutes are now available for nearly every product which once offered an

opportunity for monopoly: new synthetic fibres for cotton, wool, linen, jute and silk; other fuels for coal; and a whole range of new ferro-alloys or alternate base metals for the relatively few original grades of iron and steel. The Canadian consumer now has a diverse variety of choice for goods and services which gives to competition a universality that it never before possessed. We must turn our attention, therefore, to the realities of present-day production and distribution *as they apply to the Canadian economy.* This suggests that while restrictive trade practices should continue to come within the purview of government supervision the yardsticks that are used require careful re-examination. Considerations such as "to the detriment of the public" and "undue lessening of competition" are tenuous and difficult of reasonable interpretation.

Bearing in mind our geographic position, the pattern of present population concentrations, and the increasing competition from abroad, it is possible that certain forms of integration for greater productive efficiency, lower costs, and improved competitive position, can exist in the public interest. In the light of advances in mechanization and mass production some form of industrial planning must be acceptable; otherwise unremunerative prices may follow which would *not* be in the public interest. Unprofitable business operations result in lowered wages and reduced employment—neither of which are desirable ends of policy.

The question of monopolistic practice surely centers on the relative profits obtained on effective investment. If this yardstick were more frequently applied, it would make for happier relations between industry and government without interfering with the right of action. The present approach, of proving collusion, seems somewhat unrealistic and unnecessary in the light of other and more useful tests of "detriment to the public." Surely with the re-emergence of a buyers' market, the sellers' market philosophy will be replaced with a realistic approach to competitive business as it is actually conducted.

Maintaining High Employment

We have witnessed these past few months a revival of the purchasing power doctrine — a very pervasive approach to remedying any signs of unemployment. The idea that collectively we can buy our way out of any downward trend in economic activity sounds fine except for one factor — the resulting effect on prices. It cannot be said too often that we function in a world economy, not an isolated economy, and hence price is a key to, not incidental to, our prosperity. Let us keep clearly in our minds that in the main, the product pays the wages—the manufacturer acting as a middle man in the transaction. What can be paid out in costs of production is determined by what the consumer will pay for the finished product. Manifestly, it is uneconomic in the face of a falling demand to do anything to increase prices in the hope of reviving that demand. Surely this is the time for realism in our market appraisals.

High Employment Policy

This leads me to a brief reference to one of the more serious questions of the day, namely to what extent must we be prepared to implement our expressed policy of high employment. The question of what, in numerical terms, is high employment would command far more time than is available to me in this review. Assuming that some effort should be made to achieve some predetermined level, the question of costs enters into consideration as well as the question of methods. It now appears that we may be approaching a deficit position in our government finances. Bearing in mind the burden of military spending, as well as other "built-in" rigidities, should we be prepared to add to this burden massive public spending to provide employment, unless, as a minimum, it can be justified on the grounds of adding to our productive potential?

Very little thought has been given to this problem other than to call for public works at a time when the construction industry is already fully occupied and gives the appearance of being so occupied for the foreseeable future. We are, and must be concerned with seasonal unemployment; we are concerned with unemployment arising out of renewed competition from abroad as well as at home. The problems arising from these situations must be met with something more than temporary expedients, and while expediency has its place it should be a secondary rather than a major consideration in dealing with the inherent tasks ahead.

1955 Outlook

Over-all I would suggest that the next 12 months will record a continuation of the spotty pattern that has been evident this year. How well or how poorly we react to the growing competition both at home and from abroad will of course have an important bearing on the relative success of our operations next year. However, disposable income continues to be high and there is every expectation that consumer purchasing will remain at a reasonably high level. Meanwhile, technology combined with the continuing development of resources suggests a steadiness in the rate of expansion of primary goods and ancillary industries. Investment opportunities should continue to be favorable and particularly in the construction industry it would appear that capital investment should remain strong.

In the longer view, I look for continued growth and development throughout the country. Blessed as we are with an abundance and a variety of resources, one can only conclude that we can, with care and conservation, market many of our products with considerable advantage to ourselves. A growing population, which means a growing labor force, demands a continual revision of our objectives. This, amongst other things, means new markets and requires new or advanced methods of distribution. The challenges indeed are great; that we have successfully met problems in the past with foresight augurs well for the road ahead.

San Francisco Exchange Plans Seat Dividend

Ronald E. Kaehler, President of the San Francisco Stock Exchange, issues statement giving reasons for the 25% seat dividend, which has been approved by the Governing Board of the Exchange.

In a statement issued on Dec. 21 to the public, Ronald E. Kaehler, President of the San Francisco Stock Exchange, listed reasons for the approval by the Governing Board of the Exchange of an amendment to the constitution of the organization granting a 25% seat dividend to members. This action would increase the membership of the Exchange from its current total of 64 to 80 members. The consent of not less than two-thirds of all members is required to make the amendment effective.

Ronald E. Kaehler

The statement of Mr. Kaehler follows:

The approval by the Governing Board of an amendment to the Constitution authorizing a 25% seat dividend is in line with the aggressive program of the Exchange to capture the business of new residents in the area.

Revamping the Floor Trading facilities last year, at a cost in excess of $100,000, was the first step in this program.

Next we made available in our Visitors' Gallery a tape-recorded talk on the operation of the Trading Floor, which has attracted thousands of visitors to the Exchange.

Recently we installed a one-way speaker network, which broadcasts direct to the order departments of member firms. We are not the first Exchange to make this innovation, Midwest having adapted it in 1953. However, Pac. Tel. & Tel.'s engineers were able to improve the system by installing 10 microphones on the Floor, instead of only one, making it possible to broadcast bids and offers and other pertinent information the moment they reach the Floor.

Now we want to increase the number of memberships. In 1933 we had 75 memberships. Today the number is only 64, although the population in Northern California has more than doubled during this period. Many new securities firms have been formed to serve the increased population, but because of lack of seats we were not in a position to interest them in acquiring membership. If the amendments are approved by Exchange members, 16 additional seats will be available.

Based on the last sale of a seat, the new memberships should sell at approximately $4,000.

The seat dividend, plus the $17,500 cash dividend in 1953, would make a total distribution of approximately $18,500 to the membership in the last two years. The Exchange remains in a strong financial position, seats having a cash value in excess of their selling price. The Exchange, in addition, owns its fine building free of any indebtedness.

In line with the increased number of membership, monthly dues would be reduced by 20%.

Wertheim & Co. Will Admit Partners

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 6 will admit Alfred W. Kleinbaum and William A. Titus to partnership.

Kidder, Peabody & Co. To Admit Jos. Hibben

CHICAGO, Ill.—Kidder, Peabody & Co., members of the New York Stock Exchange, on Jan. 6 will admit Joseph W. Hibben to partnership. Mr. Hibben is manager of the new business and underwriting department for the firm's Chicago office at 33 South Clark Street.

Now Corporation

The firm name of Degaetano Securities Company, 37 Wall St., New York City, has been changed to Degaetano Securities Corp.

Soviet Gold

By PAUL EINZIG

Dr. Einzig discusses questions regarding Russia's gold production and the impact that a large reserve of Soviet gold might have on the international situation. Says Russia's effort to increase gold output may have far-reaching economic and political motives, and holds it is conceivable the Kremlin may entertain ambitions to pursue a "ruble diplomacy" to rival the "dollar diplomacy."

LONDON, Eng. — The sale of large quantities of Russian gold in London and other bullion markets during 1953 aroused considerable world-wide interest. Even though it came to an end some time ago, there is still much speculation about the motives that inspired the Soviet Government in selling gold, and even more about their future intentions. Above all, what everybody would like to know is whether the Soviet Government is in fact in a position, should it wish to do so, to unload on the free world really large quantities of gold.

Dr. Paul Einzig

Even before the War the amount of the gold reserve of the U.S.S.R. and that of the annual output, was a closely-guarded secret. It was known, however, that the production of gold in Siberia was going ahead and the possibility that the Soviet Union might eventually take the place of the Union of South Africa as the world's largest gold producer was widely envisaged. It was understood during the War that, since the Soviet Government was receiving from the United States and Britain, free of charge, everything it needed for the pursuit of War it did not think it necessary to produce gold on a large scale. The manpower and productive capacity used on gold production before the War was diverted to other tasks.

Since the end of the War, information from Soviet Russia has become even more difficult to obtain. It was assumed that the exploitation of gold resources has been resumed but nobody was in a position to form any idea about the Russian postwar output. Indeed no information was available until quite recently even about the broad outlines of the policy pursued by the Soviet Government in this sphere. We did not know whether gold production in Russia after the War has a high priority or a low priority, that is, whether it is the official policy to stimulate it or; relatively speaking to neglect it.

In an article in the current issue of the monthly magazine "The Director" which has just appeared, Mr. F. J. Erroll, a Conservative Member of Parliament who visited Russia in the Autumn as member of a Parliamentary delegation, published some remarkable facts throwing light on the official Russian attitude towards gold production. Mr. Erroll, who is an engineer by profession and is a director of a gold mining company, paid a visit to a gold mine near Sverdlovsk. He came back strongly impressed with the high degree of priority given to gold production. He found the equipment up to date in every way. There was evidence of an intensive drive to produce more gold. This contrasted sharply with what he found in some other factories which had a low priority. For instance, he found no sign of any special effort to raise output in a plant producing diesel engines, and concluded that, as it is now possible to export such engines to Russia, it is no longer considered important in Moscow to employ in their production the best men and the best equipment available. On the other hand, he found the jet bomber works he inspected to be "a model of up to date and efficient production."

The reason for giving the military aircraft industry high priority is easily understandable. What lies behind the high priority given to gold production is less obvious. Mr. Erroll has now cleared up the mystery about the Soviet Government's attitude towards gold production, so that we now know for a fact that it is Moscow's policy to make an effort to increase the gold output. This is bound to entail some sacrifices in other directions, for the high priority given to the gold mining industry must necessarily mean that many other industries must do without the best equipment and the best men which are diverted to gold production.

Mr. Erroll's own explanation is that by producing and exporting gold the Soviet Government can get more value for the effort expended than it could obtain if the same extra effort were used for producing and exporting other goods. Possibly he may be right, but there are other possible explanations. It must be borne in mind that the question whether any particular industry is more profitable than another has not the same importance in the Soviet Union as in capitalist countries. In the U.S.S.R. all industries are owned by the government, and it is quite conceivable that, for considerations of policy, the government is prepared to work some industries at a loss. It is possible that from a purely financial point of view, it would be more advantageous for the Russians to concentrate on other industries the extra driving force that is now concentrated on gold mining.

The effort to increase the gold output may have far-reaching economic or high political motives. Possibly Moscow wants to build up a large gold reserve, regardless of cost, because the possession of such a reserve confers on its owner political and economic power and prestige. There can be no doubt that the immense prestige of the United States is due in no slight degree to the possession of the world's largest gold reserve. Conceivably the Kremlin may entertain ambitions to pursue a "ruble diplomacy" to rival the "dollar diplomacy."

Such ambitions would be perfectly legitimate, provided they remain confined to constructive tasks of financial assistance. It is unfortunately necessary to bear in mind the possibility of more sinister motives. The possession of a really substantial gold reserve would enable the Soviet Government not only to secure political allies abroad through granting financial assistance, but also to embark on mischievous financial and commercial operations that are liable to disturb the international markets and may even threaten economic stability and prosperity in the free world.

To be forewarned is to be forearmed. Now that we know what the Soviet Union is doing in the sphere of gold production, the free world is in a better position to be prepared if Moscow should misuse the power represented by her growing gold hoard.

New Farm Policy And Farm Financing

By DON PAARLBERG*
Assistant to the Secretary
U. S. Department of Agriculture

After giving an interpretation of the general economic situation and the safeguards that may be used to maintain economic activity, U. S. Agriculture Department spokesman outlines farm policy of the Administration. Says the new flexible price supports will facilitate shifts in production and utilization in line with supply and demand changes, while more moderate levels of price support will remove some of the road blocks of international trade. Lists techniques that should be applied by banks in making farm loans, and concludes prospects for economic growth and stability "appear to be good."

I shall endeavor first to interpret the present general economic situation and enumerate the safeguards which may be used in an effort to maintain an overall level of economic activity at reasonably satisfactory levels. Within this setting, I shall comment on the farm policy of this Administration. Finally, I shall attempt to draw from this background some interpretations regarding the use of capital in agriculture.

Don Paarlberg

I

The nation has hopes of making, for the first time in history, the transition from war to peace without major deflation.

With World War II now nine years past and with Korea more than a year behind us, the general price level is still on a fairly high plateau. Investment is still high, construction activity is at record levels, and the percentage of the population which is employed is still above its peacetime norm.

Sharp deflation followed the Revolution, the War of 1812, the War Between the States, and World War I. In each case, it carried prices below their prewar level. This pattern, laden with disaster, has thus far not been in evidence following World War II.

Those who prophesy prices and business activity by reading the charts of the past have done poorly during the past decade. Economists of the newer school, who watch aggregate income, savings, and investment, have done somewhat better. Perhaps the best record during the past 10 years, so far as predictions are concerned, has been compiled by politicians of whichever party was in power, who, untrained in economics, simply predicted greater and better things for the American economy!

Does the experience of the past decade mean that we are in a new era, that with the new tools for fiscal and monetary control, deflation and economic contraction are no longer a threat? This would be a rash conclusion indeed; it was made before, during 1920, and was proved to have been in error.

But it would be equally rash to say, as some do, that nothing has been learned about stabilizing the economy during the past 30 years, that the historic pattern of postwar deflation is merely delayed, and that it is inevitable.

In May and June of 1953, signs of economic contraction began to appear. Prices of raw materials, including farm products, had been soft for some time. This softness slowly spread to finished goods. Credit tightened, industrial activity diminished, and unemployment began to creep up.

If the year had been 1923 instead of 1953, with the knowledge and inclination to intervene in economic affairs as it was at that time, little would or could have been done to counteract this downturn. It might easily have snowbaled and developed into a major deflation. But it did not.

Federal Reserve authorities responded with a degree of promptness and vigor for which there is no close parallel in our central bank history.

In two months, the Federal Reserve System purchased $1.2 billion of United States Government securities, thereby increasing the reserves of member banks.

Reserve requirements were reduced.

The Treasury managed its affairs so as to facilitate the borrowings of business firms and state and local governments.

Seven and a half billion dollars in tax reduction was made effective.

The contraction was brought to a halt. Industrial production leveled off at about 10% below the peak, where it has stayed for about the past nine months. Nineteen fifty-four will be the second best year for the American economy, exceeded only by the year 1953.

No one will ever be able to measure the effectiveness of our fiscal and monetary policy during 1953-54. No one knows what lies down the other fork of the road. In any case, major deflation was averted.

Bankers and banking practices were widely blamed by farmers for the deflation of 1920 and 1929. In my judgment, bankers and banking pratices have been insufficiently praised for helping to avert deflation during 1953-54.

The experience of the past 12 months suggests that there are many tools in the kit of economic stabilization and that there is a willingness to use them. Let us look at some of these tools.

One of the most important is borrowing and taxing policy as a means of increasing the amount of consumer income available for spending. This tool has always been available, but it previously involved relatively small sums and there was little inclination to use it. In the twenties, for example, Federal taxes represented less than 5% of the gross national income. In 1953 they totaled about 20% of the gross national income, or $71-billion, a truly massive sum. Changes in the amount of tax revenue, relative to Federal expenditures, can greatly increase or decrease the amount of money in the hands of consumers and hence influence the level of economic activity.

Direct intervention in various fields helps to check what might otherwise become a downward spiral.

Regulation of the stock market and of the commodity exchanges introduces a degree of stability into an area notoriously susceptible to psychological waves of optimism and pessimism.

Federal Deposit Insurance makes practically impossible a banking debacle such as was experienced in 1932-33.

Farm price supports help apply the brake to a price decline in agriculture.

Unemployment insurance, though a poor substitute for a job, nevertheless provides a helpful second line of defense.

The arsenal of weapons at the disposal of government is formidable indeed. In addition to the items mentioned above, it includes public works, accelerated depreciation for defense plants, control of exchange rates, and the traditional credit controls of the Federal Reserve System.

There is now written into law the Employment Act of 1946, which provides the mandate "to promote maximum employment, production, and purchasing power . . . in a manner calculated to foster competitive enterprise and the general welfare."

More important, there is written into the mind of elected public officials the fact that voters will not tolerate severe deflation. In the 31 presidential elections since price data became available, there have been only two occasions when people failed to maintain a party in power on a rising price level; with prices falling, there have been only two occasions when they failed to turn them out.

I conclude from this review that the number and effectiveness of the tools for increasing economic stability have been greatly increased, and that the compulsion to use them has been correspondingly increased. It would follow, in my opinion, that fear of deflation such as was experienced during the 30's need no longer becloud one's business judgment. Economic fluctuations and deflation undoubtedly will continue to plague us in the years ahead, but they are likely to be comparable with those of 1937-38, of 1948-49, and of 1951-53. There appears to be justification for the hope that we can shift from war to peace without major deflation. Speaking of price levels, we can say that what goes up need not necessarily come down.

The reason for considering the overall prospect for the economy is that prosperity in agriculture depends to a marked degree on prosperity in the general economy. Inflationary periods are generally marked by agricultural prosperity; deflation is disastrous. Inflation brings windfall profits; deflation brings underserved losses. Both cause unbalance and a distortion of the price structure. When the general level of prices is reasonably stable, necessary adjustments in agriculture occur with relative ease.

II

It is obvious from what I have said—and from what you have observed — that overall economic growth and stability is a major economic aim of this Administration. Farm policy is not to be viewed separately but is related to this overall goal.

The issue about which farm policy has centered during these past years may be stated thus: "What is to be the role of market prices in guiding the production, distribution and consumption of farm products?"

I believe it is fair to say that operating in the main under a system of prices established freely in the market, the American productive plant has turned out an abundance of goods which is unexcelled at any time in history or any spot in geography.

But this sytem has been charged with important shortcomings.

It is vulnerable to inflation and deflation, as has been shown.

Sometimes it works very slowly, as in shrinking back our overexpanded wheat production.

Sometimes it works too rapidly, as when a wave of optimism or pessimish hits our commodity exchanges.

The system establishes rewards and penalties which may at times be a poor measure of one's economic contribution.

There are opportunities to restrain the free market forces, and these opportunities are not equally available to all individuals or all groups.

In the aggregate, these difficulties are impressive. They have led to proposals that regulation be substituted for market prices.

But such regulations lead to other difficulties.

Regulation too works slowly. We operated for nine years after World War II with a price support law which was passed to stimulate production for that emergency.

Sometimes regulation works too rapidly. Administrative rulings sometimes attempt, at one leap, changes which a free price system would make more slowly — and with less disturbance — over a period of years.

It is not clear that regulation really decreases uncertainty. The uncertainty of administrative decision is substituted for the uncertainty of interacting supply and demand.

The regulated system often causes as difficult problems through excessive price rigidity as the market system does through excessive fluctuations.

There is reason to believe that on most matters the aggregate judgment of 163-million Americans is superior to the judgment of a handful of men, however expert. If an error is made, the public, operating in a free market, will correct that error at the first opportunity, without regard to previous decisions: an administrator is slow to admit an error and slower still to correct it.

Regulations tend to reward people equally. It does not necessarily follow that this is equity. Cutting wheat production back 30% may give equal treatment to farmers in the dust bowl and to farmers in adapted wheat regions. It does not follow that such treatment is equitable.

Besides all this, there is grave doubt that the regulations necessary to provide high levels of price support could be really effective with the degree of regimentation that American people will tolerate.

The Administration's farm program, which was passed by the 83rd Congress, is essentially a "middle-of-the-road" program. It is based on the institutions of a free and responsible agriculture. But at the same time, it will protect farm people from the excesses of the market price system.

The most significant thing about our new farm legislation, it seems to me, is that it marks a change in direction. The rapid drift toward a regimented agriculture has been checked. A new direction has been set, a direction of greater freedom and responsibility for agriculture. We will proceed in this new direction gradually rather than with haste.

For the next several years, the differences between the new and the old farm law will be limited, so far as the level of price support and limitations on acreage are concerned. Nevertheless, the differences are important. Billy Sunday, the evangelist, once said he would rather be a foot from Hell and headed away from it than a mile off and headed toward it.

Modernized parity will acknowledge what the market is trying to tell us about long time shifts in the supply of and demand for basic crops.

Flexible price supports will facilitate shifts in production and utilization in line with supply and demand changes from year to year.

More moderate levels of price support will remove some of the roadblocks from the paths of international trade.

Incentives for overproduction will be lessened. More realistic prices will open markets at home as well as abroad. We will be producing more for the market, and less for government warehouses.

Meanwhile, the excesses of the market price system would be reduced through overall programs for economic stability.

By thus repairing the functioning of the market price system, we may preserve it.

I am sure that we will not preserve this system unless we understand it, and repair it. I believe that if we understood the system and how it operated, we would be less inclined to criticize it and less likely to place upon it burdens which it was never intended to bear.

III

What can we say about agricultural prospects in the kind of selling I have described?

Our economic analysts in the Department of Agriculture have been forecasting farm prices and incomes for more than 30 years. They have been right about three times out of four, and when you figure the hazards of forecasting, that is a pretty good record. Our analysts tell us that consumer incomes available for spending in 1955 are expected to hold at or rise slightly above 1954 levels. Construction activity is expected to remain high. Business investment will be down moderately; but for 1955, economic activity is expected to run at least at current rates.

Price supports for wheat will be reduced from 90 to 82½% of parity. For the other five basic commodities, price support will continue at or slightly below 90% of parity. Farm income in 1955 is expected to be close to that of 1954.

In the long run, the prospects for economic growth and stability appear to be good. By 1970 we may add close to 40-million food consumers to our population.

The scientific and technological frontier for agriculture is being pushed back at least as fast as the geographic frontier was pushed back 100 years ago. We are moving toward the economic freedom which will permit us to make broader use of our scientific knowledge.

There are some harassing difficulties facing agriculture and some major adjustments that have not yet been completed.

But if this analysis is right, there will be many opportunities in agriculture in the years ahead. "Depression psychology," which developed during the decade of the '30s and is reawakened whenever farm prices soften, will be a poor guide for farmers or for those who lend money to them. On the other hand, overfinancing and loans on unadapted enterprises will be a burden to both borrower and lender, as has always been true.

The advance of technology in agriculture means increased capital needs for farmers in the years ahead. You bankers will supply much of that capital. There is opportunity to do so with profit to yourselves and as a service to farmers.

I should like to leave you with some thoughts about frontiers of farm credit, some credit needs which are not now adequately serviced.

One frontier is intermediate credit, for the financing of productive livestock, machinery, remodeling, of buildings, terracing, draining, and other farm improvements. In many cases, these are profitable projects; but they yield

*An address by Mr. Paarlberg before the Seventh National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 16, 1954.

their return slowly, over a number of years. They will not yield returns which will repay a loan within the customary period of 12 months. The possibility that the lender will choose not to renew a one-year loan keeps many farmers from undertaking improvements that would be to their advantage. Here is a place for lenders to do some real pioneering.

Another frontier is increased use of agricultural specialists by banks. These men would handle agricultural credit work, provide basic farm plan information, and give needed management guidance to borrowers. This is now being done with profit by many banks—profit both to the banks and to the borrowers.

As farming becomes more technical and as the size of farms increases, shifts occur in the pattern of agriculture. This means that some crop farms should add a livestock enterprise. It means that some low income farms should have access to capital which will match the supply of labor and the management skills available on these farms. There are lending techniques which can help banks to meet these needs—with profit:

Supervised credit.

More attention to repayment ability as contrasted with collateral.

Budgeted loans.

Flexible repayment plans.

Intermediate credit.

These credit needs are real; and the lending techniques have been tested, at least to some degree. Commercial banks can meet many of these needs, with profit, if the problems are met with imagination and resolution. It will not be easy; new techniques will have to be worked out, and some experimentation undertaken. But the challenge is there. Through enlightened self-interest, private capital can accept that challenge with profit, and at the same time perform a real service to agriculture.

Purchasing Agents Definitely Optimistic

Business Survey Committee of the National Association of Purchasing Agents reveals 90% of purchasing agents venturing an opinion anticipate continued improvement in general business.

The composite opinion of purchasing agents to comprise the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Plant, Olin Mathieson Chemical Corp., New Haven, Conn., is that, looking ahead to 1955, they are definitely optimistic about industrial conditions for the coming year. 90% of those venturing an opinion anticipate continued improvement in general business. 6% see it holding at the present level, and only 4% expect declining activity. Of those taking the brighter view of 1955, 36% see through the first quarter, 15% through the first half, while 39%, an outstanding number for the survey's longer-term forecasts, carry through the whole year. Impressive as these statistics are, they must be considered in the light of the preponderant opinion expressed, that the degree of change will not be great but, rather, of the creeping type of the past five months.

Robert C. Swanton

Over-all, the Committee states, the reports indicate that major adjustments and corrections have been made and industry is prepared with new products and stepped-up sales plans to compete in the highly competitive markets of the new year.

The December N.A.P.A. Survey shows a continuance of the steady improvement of the past five months. New orders are reported up and again have a slight margin over production increases. This is a reversal of the normal December statistics, when the push for holiday goods is over and inventory time approaches. Industrial commodity prices are stabilizing and strong. Inventories are leveling out on the low side. Employment is high; 82% report holding or increasing. Buying policy remains conservative, 90 days and under, with a slight movement into the top side of the bracket.

Conditions reported in the December, 1954, survey bear no comparison to those of December, 1953. This year ends on a high note of confidence which reflects the expectation of a very happy New Year.

Commodity Prices

Industrial commodity price structure at the year-end is stable and reflects a little more strength than last monthh, with prices still highly competitive in most markets and deliveries stretching out here and there. No strong price movement either way is anticipated, though buyers are becoming concerned about the effect on future prices of forthcoming labor demands.

Inventories

Purchased materials inventories are reported about in line with the November reports. Some continue down and others are adding to stock position. There is no inclination to build inventories beyond known requirements and necessary procurement lead time. General opinion is that rigid inventory control will continue through 1955.

Employment

Industrial pay rolls held up well in December. Increases outbalanced decreases by a small margin. Most of the layoffs were of the usual seasonal character. More call-backs are reported. The work week was about the same as November, with little overtime.

Buying Policy

With improved order books, increasing production and more price strength, Purchasing Agents are taking only a slightly longer view on procurement. Steel requires a somewhat extended lead time, but most industrial materials are still procurable on short notice. Hand-to-mouth to 60 days continues to be the major call on the markets.

To Be Somers, Schafer Co.

On Jan. 1 the firm name of Somers & Schafer will be changed to Somers, Schafer & Co. The firm, which holds membership in the New York Stock Exchange, is located at 50 Broadway, New York City.

On the same date John E. Collins, member of the New York Stock Exchange, will be admitted to partnership. Mr. Collins has been active as an individual floor broker.

THE MARKET . . . AND YOU

By WALLACE STREETE

Inevitably, the stock market had more than its share of cross-currents in the final trading week of the year as tax adjustments and portfolio dressing appeared in many issues and contributed periods of irregularity. But none of this impaired the robust undertone and once it appeared that the year-end selling had dried up, buying broke out in sufficient force to post a new historic peak for the industrial average.

The year-end picture had been a clouded one this year. On the one hand, was a general feeling that there was little selling to be absorbed from holders registering losses. The spirited ascent of the market once the elections were out of the way had trimmed many of the potential losses, except those of the short sellers. On the other hand, the great amount of skepticism around over the market's high level had prompted fears that it would have to absorb considerable selling to establish profits for 1955 when that deadline came up. The answer proved to be somewhere in the middle between the two extremes. There was a bit more selling for losses than anticipated, and less selling to post 1955 profits than had been feared.

The rebound once these uncertainties were cleared up was the second best since early November, as far as the industrial average is concerned. This more than wiped out the loss on the week's initial session. This had been a dour one in that the 731 minus signs against only 318 gains had provided the most one-way market in two months, and hence the most forceful interruption to the bull swing so far.

Favorable Technical Factors

All the technical indications were favorable. On widespread selling the volume dried up rather abruptly, dropping below the three million mark to snap a string of half a dozen sessions well above that level. When buying returned, the business expanded by more than 20% to hearten the bullish elements. The year-end rally, one of the most regular of seasonal market actions, is already an established fact.

The comfort for the bears is small. There had been a school that saw the 400 level, never reached in history, as a barrier to further progress, largely because of psychological factors. By coincidence, mostly, the tax selling turned the list back when it was right on that brink. The average did cross the line by a couple of pennies on an intraday basis, which is hardly valid. But the repulse was enough to help the seers prove their point, statistically, regardless of the list's ability to reach the mark subsequently.

In clearing the air of all the doubts, the market prepared for a routine windup to a year that comes close to earning the description of fabulous. The industrial average has added better than 40% this year. More important, the rise has been without serious interruption for almost 16 months and in chart form takes on the semblance of a jet-propelled ascension. To the serious market students the sustained strength is far more significant than the penetration of the fabled high of a quarter century ago. With the changes in industry and currency, even apart from the changes in the average itself in that time span, comparisons are meaningless.

A continuing surprise is that the quality issues, leaders on the advance long ago, are still not content to take a well-earned rest and leave the chore to the secondary issues to any great extent. The ability of Douglas Aircraft to add half a dozen points and reach a new record peak, even though the stock was split as recently as a scant eight months ago, stood out particularly. Among the steel shares, where greater caution has been the keynote, Bethlehem's ability to follow along the path of Douglas for a swing almost as wide was equally surprising.

Insurance Stocks Re-stimulated

The week also marked a pickup in interest in insurance issues, very few of which are available in listed trading. Registration of a proposed investment company specializing in insurance issues, plus a 20-for-1 proposed split for non-listed Travelers, helped foster this new attention. One consequence was some very spirited, multi-point gains in a session by Continental Insurance and Fidelity-Phenix Fire Insurance.

Oils haven't been able to stand out too much as a group but have been able to contribute a candidate or two to the sprinting circle. One such was Houston Oil, no newcomer to the group, which, however, found the task of bettering its 1954 high a bit bothersome.

Textiles came into some favor this week and on one enthusiastic session were able to contribute several issues to the list of those able to improve by two points or more in a few hours' time. The appearance of Lowenstein, Hart, Schaffner & Marx, American Viscose and Celanese on the new highs list together was concrete evidence of this new attention being paid to what is probably as depressed a group as any of the major ones around.

Eastern railroads continue to get a good play, largely under the leadership of New York Central. Baltimore & Ohio and Pennsylvania were able to ride along enthusiastically. For Central, however, the 1946 high is posing something of a resistance level and the chore of working through it has been a somewhat lengthy one.

Among the special issues in independent demand, W. R. Grace, which is not an old name in organized stock market trading, was one of the standouts and erupted to a new high with zest. Minnesota Mining was a returnee in stepping into the limelight again. Warren Foundry, which occasionally has a fling, was able on one day of good feeling to join the new highs, also with determination.

Automotive issues, while still showing the signs of investor caution, were able to post good action when the going was right. They weren't any regulars to the new highs lists but, on the other hand, have been hovering far closer to the year's best prices than to the poorest. Virtually the same could be said of the rubber issues where Goodyear did somewhat better than the group generally in working into position to challenge the old high.

Liquor shares have had a comparatively restful market life despite the fact that this is the season when traditionally they are favored by investors. Park & Tilford was an exception, largely due to some nebulous rumors of various mergers within the industry. These tips, even without confirmation, were able to add the shares to the narrow group of daily sprinters.

American Telephone continues on an uncertain market course, the stock being given to sudden dips followed rather quickly by good recovery. But in its meanderings, and with a dividend payment trimmed from it, the pet investment of more than twice as many people as any other single issue has backed up well below its Fall high.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Technological Advance And National Policy

By H. CHRISTIAN SONNE*
Chairman, Board of Trustees,
National Planning Association

Mr. Sonne, after commenting on the paradoxical situation that the great scientific and technical advances of our time not only reveals man's genius, but also threatens his very existence, reviews the effect of the technological developments on: (1) National Defense; (2) Foreign Economic Policy, and (3) Domestic Economic Development. Says we are on the threshold of another industrial revolution and a rise in industrial growth due to new techniques. Concludes, in next year some economic forces are likely to continue their down swing.

It is paradoxical that the great scientific and technical advances of our time which reveal the genius of man also threaten his very existence. In the past a failure of one nation or one culture paved the way for the success of another. Failure, not less than accomplishments, has contributed to human progress. Today, the destiny of nations and cultures has become so interlocked that a mistake may have consequences which threaten the existence of civilization as we have known it. Limited conflict may lead to ultimate conflict. Concession may lead to surrender.

H. Christian Sonne

Nuclear warfare may lead to irreparable destruction or decay of the human race. Entirely aside from their direct damage, atomic or hydrogen bombs, if exploded in large number, may contaminate the atmosphere, harm the human genes, and affect generations yet unborn. Physical harm, however, is not the only threat of our time.

As long as they are kept glowing, the sparks of our human spirit—freedom and self-responsibility—will make the difference between humans and robots. Respect for these human characteristics provides a common ground between Occidental and Oriental civilizations. But Communism from without and intolerance from within threaten to extinguish these sparks.

The recognition of this fateful character of our era leaves many people with a feeling of blind fury, impotence, and cynicism. Some people feel as did the sorcerer's apprentice in Goethe's famous poem. In the absence of the master the apprentice used the magic word which made the broom do the house cleaning for him. While the broom brought one bucket of water after the other, the apprentice realized that he did not remember the word which would make it stop. In his fury and fear of drowning, the apprentice split the broom in two.

Both parts now carried water and the flood doubled. At the last minute the master returned, spoke the magic word, and the broom was sent back into the corner where it belonged.

Have we, like the sorcerer's apprentice, unleased technological forces which are now difficult to control? Perhaps we have. And we cannot expect any magic words that will tame these forces. We should have learned that it will not help to strike in blind fury nor to fall into impotent despair. We have to be calm in facing the problems which have arisen to assure that technology **serves as a tool rather than as a destroyer of mankind.**

*An address by Mr. Sonne at the Initial Meeting of the National Planning Association National Council, Washington, D. C., Dec. 14, 1954.

Let us consider briefly some crucial consequences of technology in such fields as:

(1) National defense.
(2) Foreign economic policy.
(3) Domestic economic development.

On the subject of **defense**, our national security build-up has been designed **first** to be ready for instant atomic retaliation in case of a Russian attack on the United States or on our allies; **secondly**, to support other free nations in their own defense efforts, thus reducing the "power vacuums" of the world which would give Soviet imperialism an opportunity for relatively safe penetration and domination; **thirdly**, to enable us, with a highly flexible military set-up, to participate in action anywhere in the world where it may be necessary to come to the defense of friendly nations.

This three-fold approach to our national security problems has undoubtedly been a contributing factor in avoiding a suicidal world war. It has helped to strengthen the resistance of several nations to Soviet threats. Without these measures the European continent would probably today be largely, if not completely, under Communist domination.

It is difficult to judge whether in pursuing these aims we have done all that needs to be done. Some of us in the NPA have been disturbed at times by statements that desirable national security measures had to be curtailed "because we cannot afford them." An NPA study showed that the tremendous rise in productivity of the American economy would permit a substantial increase in national security expenditures from their peak of $54 billion to as much as $70 billion without preventing further advances in business expansion and the standard of living.

We are particularly disturbed by a serious gap in our national security system. This is the lack of adequate preparation for meeting an atomic attack or for reducing the vulnerability of the American economy to such an attack.

The National Planning Association has appointed a Joint Committee to study these problems, which the Honorable Richard Bolling (Reresentative from Missouri) dealt with so admirably in his speech earlier.

There may be grounds for the conclusion that the cold war cannot go on in its present form, which compels both sides to develop atomic weapons of increasing power. None of the parties cares to run the risk of making our globe uninhabitable as a result of atomic warfare or, perhaps, even as a result of continued experiments. Yet they can ill afford to be less prepared than their potential enemy. Hence, prudence demands that we prepare ourselves for the possibility that both world power groups refrain from using the ultimate weapon. This places additional emphasis on the need to develop other weapons, both of a conventional and nonconventional nature, which may require increased defense programs.

In considering our **foreign economic policy** it is well to remember that an adequate national security system is only one part of a successful policy of survival. To cope with our grave international situation, we must admit and understand the complete breakdown of the world order which emerged during the 19th Century. In that old world order, we had a balance of power among a number of industrialized nations; and most of the rest of the world was tied to these leading countries by colonial or other dependent economic relationships.

Now the balance of power has been replaced by the emergence of two power blocs under the leadership of the United States and Soviet Russia. However, the nature of the two blocs and the relationship of the partners within them is quite different. The United States has no intent and no means to force its leadership upon the Free Nations. The continuation of this "bloc" depends entirely on the mutual political, spiritual, and economic advantages which its members find in their loose cooperation. That is why stronger trade and other economic ties are important for implementing the political alliance.

The colonial system has been completely shattered. Countries which were formerly dependent now have strong aspirations for political independence and economic betterment. Increased productivity has become an elementary necessity. Unless these so-called underdeveloped countries succeed in establishing stable democratic regimes and in giving hope to the millions for some improvement in their standard of living they are likely to fall prey to Communist penetration and domination.

These less developed countries are making rapid strides in adopting medical advances. Their mortality rates are drastically declining; a corresponding decline in birth rates is not yet in sight. As a result, some countries are already experiencing what has been called a population explosion. Thus, an increase in food and other production in large parts of the world is of great urgency. To give just one example, the population of India, estimated in 1951 at 360 million, is expected to rise to 520 million by 1981. That would be an increase of 160 million. However, the now foreseeable expansion in food production is likely to yield only a maximum increase sufficient to support an additional 90 million people over a 30-year period. Modern technology may come just in time to prevent wholesale starvation. If, for instance, atomic energy could be produced cheaply enough to provide power for irrigation, millions of acres of unproductive land could be made fertile. This is one of the possibilities which we are exploring in the NPA project on the nonmilitary use of atomic energy.

The urgent need of the underdeveloped countries for technical assistance and foreign capital in developing their own resources sometime clashes with their fear of a return of foreign influence. We must learn more about ways to participate in the developmental programs of other countries without creating fears of colonial exploitation or imperialistic penetration or compromising their newly attained and jealously guarded sovereignty. We must demonstrate clearly, too, that in offering know-how and investing capital, we are motivated by considerations of mutual interest—not by a condescending desire to win friends and power through charitable handouts. In two special NPA projects—one on Technical Assistance in Latin America and the other on United States Business Performance Abroad—we are already finding out how the United States Government and private enterprise can become welcome economic and social assets to less developed countries. We believe that these two projects will become useful to investing and host countries alike. Additional light will be thrown on this subject by the recommendations of a Study Group jointly sponsored by NPA and the Woodrow Wilson Foundation, whose final report—soon to be published in book form — will cover the whole field of American foreign economic policy.

Advancing technology and rising productivity are essential also to the older industrial countries. This applies likewise to our own domestic economic development.

Domestic Economic Development

There is nothing new in growth itself, which has been typical in the industrialized nations—indeed our social and economic system probably could not have survived for long without a continuing rise in the standard of living.

One of the characteristics of our social and economic system is the opportunity for individuals and groups to improve their lots. In a static economy the gains of one group can be attained only at the expense of another. Only in a dynamic, growing economy is it possible that all groups gain simultaneously. A free dynamic economy is the living refutation of Marxism.

Rapid advances in technology and productivity are, however, not only a blessing but also a challenge. They pose problems of an economic and social nature. The so-called industrial revolution created problems with which we are still struggling—urbanization, slums, uprooting of millions of people from the soil, loosening of family bonds, juvenile delinquency, and serious economic fluctuations. While we are more or less successfully learning to handle these situations, further growth will give rise to new problems and it is important to recognize their appearance in time.

We are at the threshold of another industrial revolution and a rise in the rate of growth brought about by new techniques of mechanization and automation. We have factories which are virtually run by engineers without workers. Modern technology and the rising cost of labor tend to replace routine operations of the hand and brain with machines. Unless rapid expansion compensates for the effects of the new labor saving devices, technological unemployment must result. This situation also will require a drastic upgrading of our labor force and a thorough overhauling of our educational system. NPA is initiating a study of the potential economic and social consequences of automation.

In the past, some people thought depressions were undesirable but were as unavoidable as a periodic house cleaning. Now we know by bitter experience that our economic and social structure probably would not survive many such house cleanings. We have learned methods of counteracting depressions. Today it is no longer a question whether the Government should help to maintain a high level of economic activity and employment but in what form and to what extent it should do so.

This attitude on the part of Government gives us an assurance that we need not fear a severe and prolonged depression. We know that the Government has to step in. Recent experience has shown that business, in spite of a considerable contraction in output, did not curtail investment plans which were decided upon under more favorable conditions. There was a gratifying absence of panic. Those of us who favored and worked hard for legislation along the lines of the Employment Act of 1946 were right, it seems, in thinking that it would have a stabilizing effect and would reduce, rather than increase, the need for Government intervention.

However, in an age of rapid progress in technology and productivity it is not enough to counteract depressions. We must be assured of continued growth. Today, four to five percent of our labor force is unemployed. It has been estimated that we may have seven to eight percent unemployed if, a year from now, the level of economic activity were the same as today. Business, farmers, and labor must raise their sights to a continuously growing economic potential — and representatives of these groups have been doing just that in NPA. Several NPA studies have pioneered in appraising the potentials and exploring the possible patterns of growth of the American economy. Many corporations, labor organizations, and farm groups today use such projections as a frame of reference for future planning. The government's fiscal and credit policy has a major effect in promoting a rise in purchasing power commensurate with the rise in potential production. In our economic system, an increase in purchasing power is created mainly through the earnings derived from increasing production. Production, however, will expand only if businessmen have reason to expect expanding markets.

A look at our experience in 1954 —during which there was predominantly a sidewise movement of economic activity—provides a useful point of departure for considering the outlook for 1955.

If we compare the third quarter of 1954 with the year 1953, we find that continued reduction in a number of activities amounted to about $20 billion. Defense spending was curtailed by more than $10 billion; business investment in durable equipment was down by $3 billion and the rate of accumulation of nonfarm inventory holdings shifted from a $2 billion rise to a $5 billion decline. Nevertheless, total production declined only by about $10 billion. The main offsetting factors were increases of about $3 billion in private construction, particularly residential housing; about $5 million in consumption; and about $2 billion in state and local spending. Thus, about one half of the downward movement was compensated for by increases in other sectors. It is remarkable that consumption kept rising in spite of the general decline in business activities.

Tax reductions undoubtedly contributed to this maintenance of disposable income at a relatively high level—in spite of the contraction in production. We can also attribute increased consumption to the rise in social security benefits and in hourly wages, which offset shorter hours of work, and to consumers' favorable response to some price concessions. The rise in residential construction was caused partly by the easier terms of financing. Both market forces and government policies have contributed to these compensatory forces, although we cannot determine the exact effect of each.

Looking ahead to next year, it isn't hard to see that some forces are likely to continue their downswing. Under present plans national security spending may be further curtailed — though by a smaller amount than last year. The same appears to be true for business investment. The general inventory liquidation may be nearing its end. Thus, the deflationary factors are likely to play a smaller role than they did last year. On the other hand some of the expansive factors may be less effective. There are less tax reductions scheduled for next year than for last year of the kind which would directly strengthen consumer purchases. While con-

struction promises to continue at a high level, it may not repeat the rise which we have experienced over the last 12 months. The key lies largely with the consumer and with the prices and qualities of goods which the business community has to offer. On balance, the present outlook is for a slightly higher level of activity in 1955 than in 1954, but still a level substantially below that which we could and should attain with our increasing labor force and the constantly rising productivity of our plants and offices.

A full employment level of production called for a Gross National Product of $365 billion in 1953, and of $385 billion in 1955 at 1953 prices. Since our Gross National Product for 1954 is approximately $356 billion, we will have to find markets for an additional $29 billion worth of goods and services next year in order to achieve full employment. The equivalent for 1960 would be $88 billion and, for 1965, $179 billion. We can see from this that the problems that face us during the first few years seem relatively small. This is because the increase in the labor force is now only about 600,000 a year, but when the war babies begin to reach maturity at the end of this decade, the yearly increase will be about one million. Added to this, the rate of increased productivity figured at 2½% per annum is likely to increase. These figures suggest that we must tackle our current unemployment problem **promptly** and **firmly**. With each year of delay the problem will get bigger and more difficult to solve.

In this situation, some further measures of economic and fiscal policy for promoting expansion and growth may be required. In addition to the road construction program which is under active consideration, there may be need for further tax reduction and further credit measures giving continued support to residential construction.

The problem can and must be solved, but vigilance on the part of both private enterprise and the Government is urgently required to attain the growth which is needed for a reasonable, full, and sustained level of employment and production. **Until that is achieved there should be no relaxation.**

Looking somewhat farther ahead, we can expect new problems. A rise in the standard of living, on top of our present relatively high level, is likely to result in substantial changes in the patterns of consumption.

Moreover, when the needs for the basic necessities and comforts of life are met, people will be more anxious to build up more reserves through individual saving or pension funds and similar devices.

The consumer today is exposed to two kinds of advertising campaigns: one to make him borrow money for the purchase of all kinds of consumer goods; the other to make him save in a great variety of savings institutions.

If, with rising incomes, the present ratio of net savings should continue or even increase, then the question of so-called "oversaving" will soon arise again. This means that individuals may wish to save more than business may be able to absorb for construction of new houses and plants and the purchase of new equipment.

In such a situation, two courses of action could be taken. One would, by tax and other measures, discourage individual saving and business accumulation of funds. The other would let individuals and business conduct their affairs in the manner they regard as prudent, but let the government finance some of its undertakings by bond issues so that the balance between potential production and purchases would be maintained. The latter approach would appear to interfere less with the free choice of the individual.

For the even more distant future, we face more provocative questions. Advances in technology and productivity can be and are being used in two ways—either by rising incomes and consumption for private or public purposes or by reducing the period of productive work during a lifetime. For the near future, our people probably will continue to seek a larger portion of the fruits of technological progress through rising incomes. There may come a time, however, when the emphasis will be shifted to a much more drastic shortening of the period of work during a lifetime.

In the past, the period of work has been shortened by spending more years in school, by a shorter work week, by additional allowances for vacations, and by an earlier retirement age. It is likely that these trends will continue. And it is desirable that they do—up to a certain point. But our young people do not want to have their schooling endlessly prolonged, because their desire to earn a living and to be independent may exceed their desire to learn. Also, the enforcement of an early retirement age runs more and more counter to the medical achievements which permit productive work at older ages. This brings up the very important question of how people may wish to arrange their lives in an age of rising abundance.

Students may want to enter productive work while they are still young, but then obtain advanced training after some years of work. There could also be a regular interruption of the work period by a kind of "sabbatical year" which the individual may use for refresher and training courses or traveling. Some, again, may wish to reduce their working hours considerably at a certain stage—after attaining the age of say 50. It may be wise in such cases to permit earlier semi-retirement with correspondingly lower pensions in order to avoid, at the age of 65, the often harmful abrupt change from full-time work to complete retirement.

These thoughts are presented merely in order to illustrate the kind of questions we will have to answer. We need studies not only of the economic problems arising from the advance in technology and productivity but also of the cultural and social problems connected with it.

This, in turn, raises the question of the objectives to which in the last analysis we wish to devote our energies. Since we are living in a world in which the basis of our existence is challenged, our main efforts must be directed towards preserving peace through building up and maintaining our own and our allies' strength; and towards participating in the building of a world economy in which our know-how and capital are used where they may be needed to prevent upheaval that may result from wholesale starvation and despair.

We have considered some of the many crucial issues that face us as we look over such fields as national defense, foreign economic policy, and domestic economic developments, both from the point of view of the immediate and more distant future.

One of the important functions of NPA is to alert the country to the many urgent problems which lie ahead, and to help in their solution through the joint efforts of all the groups which are represented in NPA.

This requires sound and balanced judgment that must be based on the considered opinion of wide groups of able citizens. We are fortunate to have associated with us such a group—the National Council, which you represent, and which consists of outstanding leaders from all sections of the country. It is our earnest hope that in the course of time your deliberations and advice will give added strength to the NPA in its efforts to serve the national interest.

Mann Re-Nominated For A.S.E. Chairman

John J. Mann, a former page boy on the Exchange, became the first person in history to be so honored when he was nominated to his fifth consecutive term as Chairman of the Board of Governors of the American Stock Exchange. In making the announcement, Exchange President, Edward T. McCormick, stated that Mr. Mann's name, together with a slate proposed by the market's nominating committee, would be presented to members for consideration at the annual election on Feb. 14, 1955.

John J. Mann

Mr. Mann, employed by the old New York Curb Market (American Stock Exchange predecessor) as a page boy in 1925, became an Exchange member and stock specialist in 1933. He has been a Governor since 1948 and served as Vice-Chairman in 1950.

Included in the nominations for three year terms as regular-member Governors were: Charles J. Bocklet; George C. Donelon; Harry P. Henriques, Jr., Walston & Co.; A. Philip Megna, Francis I. duPont & Co.; and Charles H. Phelps.

Nominated for a two year term as regular-member Governor was Samuel Weiner, J. A. Ludlow & Co.

Albert DeJong, Hirsch & Co.; Joseph Ginnma, Hornblower & Weeks; Richard C. Noel, Van Alstyne, Noel & Co.; and Albert G. Redpath, Auchincloss, Parker & Redpath, were nominated to three year terms as non-regular-member Governors. John J. Miles, Jr., Adriance & Finn, was nominated to a two year term as a non-regular-member Governor. John A. Ludlow, J. A. Ludlow & Co., was nominated to a one year term as trustee of the gratuity fund.

Thomas J. Heffernan, Hardy & Co., is chairman of the nominating committee, which also includes James T. Tobin; Edward J. Cohan, Pershing & Co.; William H. Riess, Jr.; Rudolph W. Deetjen, Emanuel Deetjen & Co.; Edward J. Bowler; and Charles E. Stoltz, Charles E. Stoltz & Co.

Wm. Sexton Retiring; Groves Forms Own Co.

SAVANNAH, Ga.—As of Jan. 1 the firm of Sexton and Groves, Liberty National Bank Building, will be dissolved. William H. Sexton, who has been in the investment business for the past 36 years is retiring from business. Charles W. Groves, his partner, will continue to operate the securities business under the name of Groves & Company.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of John A. Maier to C. Francis Smithers will be considered by the Exchange on Jan. 6.

On Dec. 31 William G. Jones, Jr. retires from partnership in Laird & Co.

Public Utility Securities

By OWEN ELY

Wisconsin Public Service Corp.

Wisconsin Public Service Corp., which emerged from the Standard Gas & Electric System about two years ago, sells electricity in 278 communities at retail, and to nine at wholesale. The territory served covers a substantial area in north central and northeastern Wisconsin, plus a small part of upper Michigan. Natural gas is served in 15 communities and manufactured gas in four. The company also operates buses in Green Bay and DePere, Wis.; a substantial part of the transit business was sold in 1951. Revenues are now about 81% electric, 17% gas and 2% transit.

Residential customers furnish 45% of revenues (including 20% rural), while commercial business accounts for 14%, industrial 30%, and miscellaneous 11%. Annual residential consumption is fairly close to the national average, a good showing considering the nature of the area and the fact that use of gas is promoted for water heaters in some areas (where only electricity is served, usage is well above the national average, and some future air-conditioning load is expected). Farm sales are very high, with an average use of 4,100 kwh. annually. With dairy farms and food processing the basis of the local economy, one out of four domestic customers is a farmer. The State maintains a research farm which specialized in electric equipment and which uses 60,000 kwh. a year; this is abnormally high, of course, but the utility company thinks that 30,000 kwh. for a fully electrified commercial farm might be a long-term sales objective. The company has intensively developed its rural areas with the result that there are no REA co-ops which operate exclusively in the area served.

The paper industry is outstanding in the industrial setup. There are 14 paper mills and two pulp mills in the areas served. The mills remained very active this year, with gains over 1953 despite national business conditions. Other industries are aluminum goods, malt liquor, building supplies, household wares and metal products. The company is active in bringing small industrial unit into the area. It anticipates that business will be stimulated by construction of the St. Lawrence Seaway; in some cities there has been renewed interest in dock space.

The company has shown surprisingly rapid growth, with electric revenues increasing from less than $11 million in 1945 to nearly $26 million currently, for a gain of 140%. Gas revenues have increased even faster — 212% since 1945—due in part to receipt of natural gas. Residential space heating in 1945 contributed only about 2% of gas revenues whereas now it accounts for 39%. House-heating rates for gas are promotional and may be lowered again. The company hopes to get more natural gas and to convert the two remaining areas which are now served with manufactured gas.

The company's overall rate structure has been improved, so that increased usage by consumers pays its way—which is not always the case with other utilities. Relations are said to be good with the Wisconsin Commission. The company does not expect to ask for higher rates in 1955, it is reported.

The earnings and dividend record has been somewhat irregular, particularly before the stock went into the hands of the public. There was a power shortage in 1947-48 and a drought in 1949-50. In 1951, 20c share earnings was lost, since the income tax report could no longer be consolidated with that of the former parent Standard Gas & Electric. However, this loss has since been made up through improved operations.

A new $11 million steam generating plant was installed this year, but no new units are scheduled in the next two years. Accordingly, construction expenditures will average less than $6 million a year, which can be taken care of by bank loans. Permanent financing can probably be deferred until 1957.

The equity ratio has improved from 25.7% in 1945 to 30.5% in 1950, and 34% as of Oct. 31, 1954. The capital structure is as follows:

	Millions	%
Long-term debt	$52.1	50.3
Preferred stock	16.2	15.7
Common stock equity	35.3	34.0
	$103.6	100.0

Share earnings are expected to approximate $1.50 or more for the calendar year 1954, and about $1.55 is estimated for next year. The interest on construction credit, which in the 12 months ended Oct. 31 approximated $294,000, or nearly 12c a share, will decline sharply next year with the new generating unit in operation, so that this loss must be recouped.

President Kohlhepp is hopeful that the $1.10 dividend rate can be "upped" moderately about a year from now. The stock is currently selling on the Big Board around 21½ to yield 5.1%.

HAPPY NEW YEAR!

Baker, Weeks & Co. Expands Facilities

Coincident with the 30th anniversary of its founding, Baker, Weeks & Co., 1 Wall Street, New York City, member of the New York Stock Exchange and other leading exchanges, announces that as of Jan. 1, the firm will open an office in Montreal and a representative's office in Geneva, Switzerland. Herbert K. Crabtree and Arthur A. McLaughlin will become resident partners of the firm in its Montreal office.

The firm and its predecessors have been in business since Jan. 1, 1925. A number of the employees and partners have been continuously associated with the firm during this entire period.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Robert W. Parsons has been elected Vice-President of **Bankers Trust Company of New York** it was announced on Dec. 27 by S. Sloan Colt, President. Mr. Parsons, who is with the bank's Bond Department, was previously Assistant Vice-President. He joined the staff of Bankers Trust in 1922 and was named sales manager of the Bond Department at the Fifth Avenue Office in 1929. He served at the uptown center until 1944 when he was transferred to the main office at 16 Wall Street and was named Assistant Vice-President in charge of Municipal Bond sales. He is a director of Seatrain Lines, Inc., Director and Chairman of the Board of Chas. E. Pattinos, Inc., President, Treasurer, and a director of the John Jay and Eliza Watson Foundation; etc.

* * *

Directors of **Chemical Corn Exchange Bank of New York** have elected four Vice-Presidents, it


Samuel H. Cropper R. H. Johnson, Jr.


Lloyd M. McMillen Wm. J. Wittman

was announced Dec. 24 by N. Baxter Jackson, Chairman. They are: Samuel H. Cropper, Reginald H. Johnson, Jr., Lloyd M. McMillen and William J. Wittman, each of whom has advanced from the post of Assistant Vice-President. These officers are all members of the bank's Metropolitan Division.

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Nine new officers have been elected by **Chemical Corn Exchange Bank, New York,** it was announced on Dec. 29 by N. Baxter Jackson, Chairman. They are: Stanley T. Davison, Arthur B. McGinnes, A. B. Lyon and A. W. Van Gelder have been elected Assistant Vice-Presidents; George H. Devey, Kenneth Porter and Kenneth Foster have been named Assistant Secretaries, and Robert C. Mervine and John C. Foley become Assistant Managers.

All are members of the bank's Metropolitan Division. Mr. Davison, former Assistant Secretary, is located at the 34th Street at Fifth Avenue Office; Mr. McGinness, formerly Manager, will continue to supervise the Broadway at 44th Street Office; Mr. Lyon was a former Assistant Secretary at the bank's 30 Broad Street Office where he will remain; Mr. Van Gelder, former Assistant Treasurer, will be at the 38th Street at Seventh Avenue; Messrs. Devey and Porter, former Assistant Managers, will remain at the bank's 100 Park Avenue Office; Mr. Foster, former Assistant Treasurer, will be located at 165 Broadway; Mr. Mervine is at the 46th Street at Madison Avenue Office, and Mr. Foley becomes Assistant Manager of Chemical Corn Exchange Bank's United Nations Office.

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At a special meeting held today stockholders of **Marine Midland Corporation** approved the proposal to issue a new series of preferred stock in the amount of \$20,000,000, and also an increase in the authorized common stock from 8,000,000 to 10,000,000 shares. The proposed liberalization of the retirement system of the Marine Midland Banks was also approved.

Charles H. Diefendorf, President of Marine Midland Corporation, announced it is currently anticipated that approximately \$14,000,000 of the proceeds of the new series of preferred stock will be invested in additional capital of the corporation's banks. It is contemplated that a substantial part of the 2,000,000 additional common shares will be reserved for issuance upon the conversion of shares of the new preferred series.

* * *

The appointment of Raymond A. Lockwood as a **Senior Vice-President of Manufacturers Trust Company, New York** was announced on Dec. 30 by Horace C. Flanigan, President of the Trust Company.

Mr. Lockwood has been a Vice-President of the bank since 1937, and in recent years has been in charge of its Mid-Western Division. He was appointed a member of the bank's General Administrative Board in September, 1954.

Mr. Lockwood is a graduate of the University of Minnesota and the Harvard Graduate School of Business Administration. He is a Director of E. W. Bliss Company, Canton, Ohio, and Kelsey-Hayes Wheel Company, Detroit, Mich.

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Lawrence C. Marshall, President of the **Bank of the Manhattan Company, New York** has announced that Stanley V. Malek has been promoted to Assistant Vice-President of the Bank.

Mr. Malek, who is in charge of the Bank's office on Broadway at 57th Street, joined the Bank in 1929.

Mr. Marshall also announced that Henry E. Coe, III, assigned to the Bank's main office at 40 Wall Street; John Horgan, Jr., Operations Supervisor of the uptown division; Charles Wege, Operations Supervisor of the Brooklyn Division; John C. Conklin, a member of the Bank's Foreign Department and Frederick P. Goelz of the Jamaica, Queens office, have been named Assistant Treasurers.

* * *

DeCoursey Fales, President of **The Bank for Savings in the City of New York** announces that the Board of Trustees has appointed John W. Mullarkey and Armand C. Luna as Assistant Comptrollers of the bank, effective Jan. 1, 1955. Mr. Mullarkey has been in the bank's employ since 1922 and Mr. Luna since 1928.

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Thomas J. Shanahan, President of the **Federation Bank and Trust Company of New York** has announced that as of the first of the year, Bernard Adnepos will join the official staff of the bank as Vice-President. Mr. Adnepos was formerly an officer of **Public National Bank & Trust Company.** Prior to that, he was President of Lloyds Factors, Inc., and Actuary for the American Rabbit Dealers Association.

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Guaranty Trust Company of New York announces the appointment of Oliver R. Brooks, Herbert


Oliver R. Brooks Herbert E. Twyeffort

B. Frank Patton

E. Twyeffort, and B. Frank Patton as Vice-Presidents in its Trust Department. Other year-end trust promotions by Guaranty are the following: William W. Merker, Second Vice-President; Dana R. Crocker and Karl Henrich, Trust Officers; Louis F. Geissler, Jr., Assistant Trust Officer, and William E. Herrlich and Albert Huber, Assistant Treasurers.

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John D. Wilson has been appointed a Vice-President of the **Chase National Bank of New York** in charge of economic research and publications, it was announced Dec. 27 by John J. McCloy, Chairman. Mr. Wilson, who has been associated with the Chase staff as Economic Consultant, formerly was an Editor and Economist with the McGraw-Hill organization in New York and with the Department of Commerce at Washington. He is a graduate of the University of Colorado and of Harvard University, where he also served as an instructor in economics.

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Paul F. Genachte, formerly an official of the Mexican Light & Power Company, has joined the staff of the public utilities department of the **Chase National Bank of New York** as Technical Advisor. A native of Belgium, Mr. Genachte is a graduate of the University of Brussels, holds an M.S. degree from Massachusetts Institute of Technology and a Ph.D. from California Institute of Technology. Mr. Genachte began his business career in 1935 with Sofina, a utilities holding company with headquarters in Brussels. He was associated with Mexican Light & Power from 1939 to 1945 and again from 1948 to 1952, serving at vaiorus times as Assistant to the Chairman of the Board, Special Assistant to the President and Assistant Treasurer. From 1945 to 1948 Mr. Genachte was with the American Intercontinental Trade and Service Company, Inc., in New York. In 1952 he joined Indussa Corporation in New York as Technical Manager and also served as Vice-President of the Balteau Electric Corp. in New York. Early this year Mr. Genachte was retained by the World Bank as Power Consultant on a two-month mission to Ceylon.

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An increase of \$20 million in the surplus account of the **Chase National Bank of New York** by a transfer of that amount from undivided profits was authorized by the bank's board of directors to be effective Dec. 23. This step increases the bank's surplus to \$239 million and brings the combined capital and surplus to \$350 million. The last previous increase in surplus was made in December, 1952 when \$30 million was transfered from undivided profits.

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J. Karl Schneider, Secretary and Vice-President in charge of Finance of General Cable Corporation, has been appointed a member of the Advisory Board of the Fifth Avenue Office (510 Fifth Avenue at 43rd Street) of **Manufacturers Trust Company of New York.** Horace C. Flanigan, President of the Trust Company announced on Dec. 27. Mr. Schneider joined General Cable Corporation in February, 1929. He is also a Director and a member of the Executive Committee.

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John T. Madden, President of **Emigrant Industrial Savings Bank of New York** announces that the Board of Trustees has appointed Arthur R. Heerwagen a Vice-President, Samuel L. Barbey, Assistant Mortgage Officer and William J. Blaikie an Assistant Secretary. Mr. Heerwagen, a graduate of Syracuse University, became associated with the Bank in 1946 as an Appraiser and subsequently served as Real Estate Appraisal Officer and Assistant Vice-President. Mr. Heerwagen is a member of the New York State Society of Real Estate Appraisers and the Alumni Association of Syracuse University.

Mr. Barbey entered the employ of the Emigrant Bank in 1940 as a Real Estate Inspector and in 1947 was appointed an Appraiser. He atended New York University. Mr. Blaikie entered the employ of Emigrant in 1940 as a Real Estate Inspector, in 1944 he was made a Senior Inspector and in 1953 was assigned as an Assistant in the Bank's Public Relations and Advertising Department. Mr. Blaikie attended the American Institute of Banking and Columbia University. He is a member of the Financial Public Relations Association and the New York Financial Advertisers.

President Madden of the **Emigrant Industrial Savings Bank** has also announced that the Board of Directors at a meeting Dec. 21 announced the payment of an extra dividend of ¼% per annum in addition to the regular dividend of 2½% per annum for the quarter ending Dec. 31, 1954. With the payment of the extra dividend, Emigrant's more than 320,000 depositors will have received in excess of \$18 million in dividend payments this year.

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Myrtle M. Hunt was elected on Dec. 20 an Assistant Vice-President of the **Bowery Savings Bank of New York.** Miss Hunt, it is noted, is the first woman in the history of the bank ever to obtain this rank. Miss Hunt came to the bank from Helena, Ark., in July, 1927 and worked as Secretary to Henry Bruere, First Vice-President and Treasurer, later President and Chairman of the Board, until he retired. On Jan. 14, 1952, she was transferred to the Fifth Avenue Office of the bank to work in Customer Relations.

She was a founder in 1930 of the **Savings Bank Women** of the Metropolitan Area and served as its President from 1933-35. She has served on many committees of the **National Association of Bank Women,** among which she has been a member of the National Office Committee for four years. She attended the National Convention in Houston in September 1954 where she gave the invocation at the A.I.B. luncheon meeting and served as a member of the Program Committee.

Miss Hunt is presently engaged in writing a History of the Savings Bank Women of New York which will be published the coming year and will commemorate 25 years of achievement by the organization.

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on December 28, John C.


John C. Bertels Norris Oliver Johnson


W. Howard Miller Riley P. Stevenson

Walter B. Wriston

Bertels, Norris O. Johnson, W. Howard Miller, Riley P. Stevenson and Walter B. Wriston were appointed Vice-Presidents. All were formerly Assistant Vice-Presidents.

Mr. Bertels is assigned to the Bank's Domestic Branch Administration, in charge of a group of 11 midtown branches; Mr. Stevenson is assigned to the Bank's 42nd Street and Madison Avenue Branch; Mr. Johnson is assigned to the Economics Department; Mr. Miller is associated with the Public Utility Department and Mr. Wriston, in addition to being associated with the group handling the Bank's Canadian affairs, is a member of the Transportation Department of the Special Industries group.

* * *

The National City Bank of New York announced on Dec 29 that permission has been obtained from the Federal Reserve Board to establish a branch in Cairo, Egypt. The Bank's Board of Directors has given its approval to the plan and it is expected that the branch will open in the Spring of 1955. The only branch of an American bank operating in the Middle East, it will bring the total of National City's overseas units to 58 in 20 foreign countries.

In making the announcement the Bank stated that the new step is being taken in recognition of the economic potentialities of the area and the great forward strides that Egypt has made, agriculturally and industrially. It is the policy of the Egyptian Government to encourage foreign enterprises to operate in Egypt and the new branch will further enhance the ability of National City

to serve the interests of American clients doing business in the Middle East.

National City opened the first foreign branch of any National Bank established under the provisions of the Federal Reserve Act, at Buenos Aires in 1914.

A staff is now working out details of the opening and the date and the exact site of the new Cairo branch will be announced in the near future.

* * *

Earl Harkness, President of **The Greenwich Savings Bank of New York City,** announced that Donald H. Aiken has been elected Assistant Vice-President of the bank, effective Jan. 1, 1955. Mr. Aiken is now First Deputy Superintendent of Banks of the State of New York.

* * *

Arthur T. Roth, President of the **Franklin National Bank of Franklin Square, N. Y.**, recently announced that the final chapter of the consolidation between the **Franklin National Bank** and the **Nassau County National Bank of Rockville Centre, N. Y.**, would be written on Dec. 17 at the close of business, when the two institutions would merge under the name and charter of the **Franklin National Bank.** The total resources of the Franklin at that time it was stated would be over $300 million with 12 banking offices located throughout the County. It was indicated that the tentative plans announced several weeks ago have now been completed. Complete banking functions will continue to be conducted at both the South Shore Office and the Station Plaza Office, Rockville Centre. Warren A. Schneider has been elected a Vice-President of the Franklin and will be in charge of the Station Plaza Office. All members of the Nasau County National staff are retained in their positions. Alterations are now underway at the Station Plaza Office to completely modernize the banking quarters. The Roosevelt Office will continue under the supervision of Kenneth Soberg and the Uniondale Office will be managed by Wiliam Horchler, Jr. Frank W. Breitbach, Vice-President and Director of the bank will be in charge of the Sunrise Highway Office. A previous item regarding the merger of the Nassau County National Bank of Rockville Centre with the Franklin National Bank appeared in our issue of Nov. 25, page 2160.

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J. Alfred Valentine, President **of the First National Bank of Mineola, Nassau County, N. Y.,** and Arthur T. Roth, President of **the Franklin National Bank, Franklin Square, N. Y.** announced on Dec. 22 that their Boards of Directors have unanimously approved of the consolidation of their banks under the name and charter of the **Franklin National Bank.** Letters are being mailed, signed by Mr. Valentine, to the shareholders of the First National Bank of Mineola announcing the proposed consolidation which is subject to the approval of the shareholders of both institutions and the Office of the Comptroller of the Currency. Application for consolidation will be made to the Comptroller of the Currency after Feb. 1, 1955 and it is expected that the consolidation will become effective during March of 1955. Mr. Roth stated that Charles H. Kelleher will become Vice-President in charge of the Mineola office.

* * *

Dr. James A. Close has been elected Vice-President and Investment Officer of **The Merchants National Bank & Trust Company of Syracuse, N. Y.** according to an announcement made by Crandall Melvin, President. Dr. Close joined the staff of The Merchants Bank in 1952 and has been promoted to his present position from Trust Officer. He has been the Officer in charge of Trust Investments. During the last two summers he has been a member of the faculty of the Pacific Coast Graduate School of Banking where he has lectured on "Earning Assets of a Commercial Bank." In addition he has also been chosen as a Guest Lecturer at the Graduate School of Banking at Rutgers University, where he has spoken on "Investments." Recently he was appointed a member of the Bank Fiduciary Fund Committee of the Trust Division of the New York State Bankers Association.

Dr. Close received his Bachelor degree at Yale University; his Masters degree at the Harvard Graduate School of Business Administration and his Ph.D. degree in Business Administration from the University of Michigan. Prior to joining the staff of The Merchants Bank, he was a Professor of Finance in the College of Business Administration at Syracuse University and continues to teach a finance course at the University in addition to his duties at the Merchant Bank. He is an Investment Adviser registered with the Securities and Exchange Commission and is a member of the New York Society of Security Analysists. In 1940 he earned the degree of Chartered Life Underwriters. He is also the author of many articles on investments published in nationally circulated periodicals.

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Ogdensburg Trust Company, of Ogdensburg, New York announces the death of Robert H. McEwen, President, on June 23, 1954.

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Over 95% of the stock of the **Genesee Valley Trust Company of Rochester, N. Y.** has been acquired by **Marine Midland Corporation of Buffalo, N. Y.** according to an announcement made Dec. 27 by Charles H. Diefendorf, President of the corporation. The acquisition was accomplished by an exchange of stock on the basis of 4¼ shares of Marine Midland Corporation common stock for each share of capital stock of the Genesee Valley Trust Company. As previously announced, Genesee Valley Trust Company will merge with Union Trust Company of Rochester, a Marine Midland bank, on Dec. 31, 1954. under the name of the **Genesee Valley Union Trust Company.** Genesee Valley Trust Company now operates four offices in the City of Rochester and offices in Lima and Spencerport, N. Y. As of Oct. 7 the bank's total assets were $62,750,000. This merger will form a bank with total resources of approximately $194 million operating 22 offices in Rochester and the surrounding area. After this merger has been effected there will be 10 Marine Midland banks operating 136 offices in 64 communities throughout New York State.

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Effective Nov. 30 the **First National Bank of Yukon, Okla.** increased its capital from $50,000 to $100,000 by a stock dividend of $50,000.

* * *

The Continental-American Bank & Trust Co. of Shreveport, La., a State bank member of the Federal Reserve System and the **Commercial National Bank in Shreveport** have consolidated under the charter and title of the latter. The former main office and the branch formerly operated in Shreveport by Continental-American Bank and Trust Company will be operated as branches by Commercial National Bank in Shreveport.

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W. W. Crocker, Chairman of the Board of **Crocker First Na- Calif.** announced on Dec. 28 that the Comptroller of the Currency in Washington, D. C. has approved the merger of Crocker First National and **The National Bank of San Mateo, Calif.** effective Dec. 31. Shareholders of both banks approved the merger at special shareholders meetings on Dec. 16, 1954.

* * *

Shareholders of **The Dominion Bank** (head office **Toronto**) at their annual meeting on Dec. 22, approved the proposal for amalgamation with **The Bank of Toronto** (head office **Toronto**), approximately 90% of the outstanding shares having been voted in favor of the plan. Since Bank of Toronto shareholders approved the proposal at their meeting the previous day only the approval of the Governor-in-Council is required to make it effective. Four weeks notice of intention of an application for permission to amalgamate must be given to the Governor-in-Council. Details of the plan were given in our issue of Nov. 28, page 2048.

In presenting the proposal to shareholders and in outlining the reasons directors recommended for its adoption, Robert Rae, President, pointed out that both The Dominion Bank and The Bank of Toronto are "relatively small banks" and that they "have experienced the penalty of smallness." The pro forma balance sheet of the amalgamated bank shows deposits in excess of $1 billion and total assets of $1,132,054,130. It will commence business with 453 branches, said Mr. Rae, who stated that it is estimated that at least 10 years in branch development will be saved. He suggested that through the amalgamation, The Dominion Bank is acquiring 257 branches, while The Bank of Toronto is acquiring 196 additional branches. Noting that an amalgamation can be disturbing to customer and staff relations, A. C. Ashforth, General Manager of The Dominion Bank and who will be the Chief Executive Officer of the new institution, stated that the amalgamation does not involve any change in policy. In discussing business trends in Canada, Mr. Ashforth noted that export trade in 1954 was not an expansive force, our export position having deteriorated. He emphasized that an expanding export market is essential to continued economic growth. "Not only do we need to push sales in foreign markets, but the big task ahead for business and government is to improve Canada's competitive position in foreign markets," Mr. Ashforth said. "Statistics by themselves do not give a complete picture of the business climate," according to Mr. Ashforth. "Perhaps the outstanding fact about business activity in 1954 was that the overall trend was downwards rather than up and this has had an effect on business thinking and planning." He said that if the improvement in U. S. economic activity is sustained it is almost certain to be reflected in Canadian business.

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The Chartered Bank of India, Australia & China (head office **38, Bishopsgate, London, E. C. 2**) announces that W. R. Cockburn, the Chief General Manager, will retire on Jan. 15, 1955 after completing over 43 years' service at home and abroad. . Following his retirement it is the intention of the Directors to invite him to join the Board. Mr. Cockburn who will be succeeded by H. F. Morford, at present Deputy Chief General Manager, will leave London at an early date on a short visit to Malaya.

The Court of Directors of **The Chartered Bank of India, Australia & China** have appointed David Beath and Stafford C. R. Northcote to be Assistant General Managers and Dundas Peacock to be Head Office Inspector. These appointments take effect on Jan. 1, 1955.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Banks stocks throughout the country have been moving higher in recent months reflecting favorable dividend action and expectations of record earnings to be published in the coming month. As a result bank shares are near their highest levels of the year and in many instances close to all-time peaks.

Although bank stocks customarily are thought of as stable investments showing little fluctuation in price from time to time, the record of the past year shows that bank stocks can be quite dynamic investments under certain conditions.

It is true that many groups and many individual stocks have risen a larger percentage than bank shares. The Dow-Jones Average of Industrial Stocks shows a gain of over 40% for 1954 indicating that many individual units have gained even more. However, it must be remembered that such a comparison with averages on a percentage basis is not an accurate comparison. Even so, it is recognized that industrial stocks as a group have had a substantial gain over the past 12 months.

The gain for the larger bank shares in New York and the other sizable cities averages close to 20% for 1954, a most creditable showing for these equities. In the table presented below we show the individual point and percentage changes for 21 large banks between the end of 1953 and the current prices together with the 1954 price range. Figures have been adjusted for stock dividends and stock splits.

	—Bid Price—				1954	
	Dec. 31 1953	Dec. 29 1954	Point Change	Percentage Gain	Price Range High	Low
Bank of Manhattan	38¾	47¼	+ 8½	+21.9	49	33¾
Bank of New York	379	436	+57	+15.0	450	367
Bankers Trust	52½	62	+ 9½	+18.1	62¾	45⅞
Chase National	45½	56¾	+11¼	+24.7	57	43½
Chemical-Corn	48	51¾	+ 3¾	+ 7.8	52½	43⅞
Empire Trust	121	158	+37	+30.6	160	119
First National	380	432	+52	+13.7	444	377
Guaranty Trust	65¼	73¾	+ 8½	+13.0	75	61½
Hanover Bank	89⅛	105½	+16⅜	+18.4	107	83½
Irving Trust	23	29	+ 6	+26.1	29⅛	22¾
Manufacturers Trust	62½	78½	+16	+25.6	78½	61½
Morgan, J. P.	216	270	+54	+25.0	312	207
National City	52	57¼	+ 5¼	+10.1	58	47⅞
New York Trust	113½	137½	+24	+21.1	138½	108
Public National	42⅜	55¾	+13⅜	+31.6	60¼	39¾
U. S. Trust	281	307	+26	+ 9.3	309	276
Bank of America	34¾	38½	+ 3¾	+10.8	39	32½
First Nat'l, Boston	49½	60¼	+10¾	+21.7	60½	48⅝
First Nat'l, Chicago	262	305	+43	+16.4	326	261
Continental Ill. Nat'l	86½	100½	+14	+16.2	100½	85⅜
Security First Nat'l (L. A.)	48	75½	+27½	+57.3	75½	47⅜

All of the shares listed in the tabulation show sizable gains. The largest point change is that of Bank of New York, followed closely by J. P. Morgan and First National Bank of Chicago. The relatively high price of the shares makes the percentage gains for this group less than for some of the other issues.

Among the New York banks the percentage gain of Public National and Empire Trust are the largest, exceeding 30%. Several others are close behind with gains of close to 25%.

The largest gain for all of the banks listed, however, is that of Security First National of Los Angeles. Here the increase was 57%. Undoubtedly the action of the directors with respect to stock splits and dividends has had a lot to do with the very favorable market action. Early in 1954 the stock was split two-for-one. After that a 25% stock dividend was distributed. Recently the Bank has announced a 33⅓% stock dividend will be paid the early part of 1955 subject to approval of stockholders at the annual meeting.

In spite of the advances made over the past year, bank stocks are one of the few groups among investment equities, that still offer a reasonable return. For this reason, we would expect that the market for bank stocks will continue firm as investment managers continue to seek suitable places to invest funds at reasonable yields.

HAPPY NEW YEAR!

Wayne Jewell in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Wayne Jewell has opened offices at 1001 Logan Street to engage in a securities business. Mr. Jewell was previously with Walston, Hoffman & Goodwin and Francis I. du Pont & Co. in San Francisco.

O. J. Martin Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Otis J. Martin is engaging in a securities business from offices at 2130 Downing Street.

A Critique of "Big Business"

By SOLOMON BARKIN*
Director of Research
Textile Workers Union of America

Trade union economist, claiming we in this country are relaxing vigilance against "economic giants," cautions against toleration of big business. Says trade unions recognize big business as a threat against well-being of the mass of Americans, but denies that "Big Unions," themselves are monopolies or a hindrance to public welfare. Holds executives of big business not only control our economic life, but exercise extraordinary powers over our political institutions.

The government's success in promoting high employment and stimulating national and personal advances should not become a justification for glorifying big business or relaxing our determination to dissolve these aggregations of economic power. Individual well-being and confidence, realized through a 20-year battle against monolithic business bu-

Solomon Barkin

reaucrats, are in danger as a result of their success in regaining public prestige, prominence and political power. Apologetics may temporarily divert men as they appraise the soundness of the defences. But on analysis, these arguments melt away, as inadequate. Citizens' organizations for united action such as labor unions are no justification for vast concentrations of economic power. The countervailing forces are limited in scope and not equal to the challenge of balancing corporate power.

We are relaxing our vigilance against the economic giants at a time when other countries, such as Great Britain and Canada, are adopting the philosophy and techniques of our anti-trust movement. Others, like Japan and Germany, are restraining their monopolists or cartels at our government's insistence. This nation was profoundly convinced that big business organizations aided and abetted the totalitarian aggressors. In other countries they had established a tight grip upon the economy which inhibited expansion. This country has a long history of public suspicion of big business. But we are now urged to tolerate the institution and relax our inadequate restrictions because our national economy has, for a short time, operated at full or high employment levels.

The American trade unionist cannot accept this position. He recognizes in big business a formidable threat to the well-being of the mass of Americans. Despite the temptation for the trade union movement to retire from this battle, to collect the special fruits of negotiations with big concerns or to discourage the diversionary, baseless political counter-offensive against "Big Unionism," its national leadership, almost alone among the organized interest groups, has continued steadfastly to support curbs on big business. No real trade unionist can give credence to professions that unions are capable of matching the corporation's power, even in the area of industrial relations.

The recent efforts to popularize big business have set at rest one issue. Its existence is now acknowledged. We are in agreement that it is a major force in our economy. Instead of denying its power and protesting the prevalence of a competitive society, we now hear broad claims of the indispensability of big corporations. They are the cornerstone of America's wealth and progress. The former evils, it is claimed, have either disappeared or been submerged by the constructive results of their operations.

One technical issue still persists. The apologists argue that industrial concentration is not as great as it was at the beginning of the century. It has grown absolutely, but has not kept pace with the growth of our economy. However, statistical measures, better attuned to measure economic domination in our age, can readily establish that its relative position has not dwindled and has possibly grown.

Contributions of Big Business Must Be Questioned

The principal new defense of big business is its alleged capacity for developing, financing and installing industrial change. The big corporations are better able to maintain research facilities, finance the experimental and pilot operations, and market the new products. America's industrial progressiveness is equated with big business. Without the experience coming from the operations of the giant corporation, we would not have been able to operate our war economy.

This defense sounds quite contrived, coming at a time when Dr. Lawrence R. Hafstad, formerly director of reactor development of the Atomic Energy Commission, bluntly informs management that it has neglected the utilization of atomic energy for peaceful uses. Postwar industrial research was largely financed by the government, although much of the work itself was done by corporations on contract with the government. The development of consulting research institutions as well as the facilities in universities ready to accept contracts from private industry and government should help explode the myth of any special research competence on the part of the big corporation. The real complaint is that industry's concentration on practical problems has retarded our progress in the pure sciences.

Big corporations have, in the past, been associated with restrictive practices and cartels. The investigations of the Temporary National Economic Committee had much to reveal of the repressive effect of large aggregates of power on new innovations.

In other countries, where the competitive tradition is less strongly established and the government is less vigilant, we can ascribe part of the prevailing economic stagnancy to the lack of venturesomeness of the large, established corporations.

Must we not, therefore, look to factors other than large-scale business for the peculiar stimulants to the progressiveness of our economy? May it not be that the very contributions by big corporations were encouraged by special privileges and the competitive advantages granted them by the government? They were primarily responsible for obtaining for business at the beginning of World War II, the privilege of accelerated depreciation, as the price for conversion to military production. They obtained a disproportionate share of the procurement contracts, certificates of necessity for new construction, government plants and equipment, and management contracts to operate government properties and research. These financial privileges permitted them to grow, to become enriched and to master the art of large-scale management of production.

The failure of small business, the special small business agencies within the government and the Congressional committees to get a reasonable share of government work for small business speaks eloquently of the vast economic power of the large corporations and their successful liaison with the procurement and military authorities. Frequently, the latter were recruited from these very large businesses on a dollar-a-year basis.

Our past experience supports the conclusion that the rate of industrial change would be stimulated by the existence of a greater multiplicity of enterprises. The new industrial era makes research indispensable to the life of a business, quite independent of its size. The fact that large corporations contrived, with government assistance, to get an early start, is no basis for believing that they alone are equipped for this job. The existence of numbers of small concerns marketing new products attests to this conclusion. But they are no competitive match for the corporate giants.

The increasing availability of competent research men permits of their use by a broader range of concerns. The multiplication of research agencies for special fields reaffirms our conviction that business, the government, and the universities can develop new research organizations to serve an industry or process users, without being dependent upon a specific large corporation. Fundamental research may have to continue even more broadly than at present to be a public function.

The spokesmen for big business are not on strong ground when they contend that big business tends necessarily to be more efficient. The current recession has provided an abundant array of names of large companies in financial and competitive difficulties because managerial ineptness had left them unprepared for current problems. Many mergers and purchases of corporations are inspired for reasons of tax advantage, financial manipulation and personal self-interest, rather than the attainment of the optimum size of enterprise. Evidence is abundant that the desirable size of production units is much smaller than those of the very large corporations. The economies of centralized management can be attained in smaller than current large units, as witnessed by the drive for decentralization of corporate activities.

Top management is unable to direct operations in big business enterprises on the basis of intimate knowledge. No one can argue that the wide diversity of products of the giant corporations are essential for their efficiency. They serve primarily to perpetuate current property owners through use of monies which would otherwise have to be paid as taxes. A study of the history of these large firms shows that their position was gained through earlier mergers rather than any special record of efficiency.

Abuses and Dangers of Big Business

If support for big business cannot be convincingly developed on the basis of its particular capacity for innovation and efficiency, the abundant evidence of dangers and abuses and the problems big business presents to our democratic society are truly alarming. Big business has eliminated the traditional types of competition. Prices are now set by deliberate choice; production schedules are designed for specific business objectives, including maximum profits; innovations are introduced when older products or processes become a business drawback or when industrial prestige dictates. Whatever the decision, it is deliberately reached on review of benefits, rather than forced through competitive pressures. National efficiency is no necessary byproduct. The major decision-making authorities are highly centralized in corporations, and the costs of ineptness and bad judgment are huge. Many of us would argue, with considerable documentary support, that big business policies on prices, wages and investments were the critical factors in precipitating our great disaster of 1929.

Their economic influence extends far beyond the reaches of their own corporate confines. The large corporations are governed by men with wide interests and influences in other enterprises. Cases have been paraded of interlocking officers and directors helping decide the course of business relations and the prices and volumes of related enterprises. Understandings and concurrence of policy and action are further promoted by the use of common service agencies, such as banks, tax experts, lawyers, engineers, labor relations men, and other consultants. But beyond these direct influences, we must recognize the vast empires of suppliers, dealers and purchasers dependent upon these business giants and subservient to their interests.

The large corporation is usually administered by a small group, whose voice dictates and dominates policy and action. Their financial interest is usually small, but their rewards are generous through their own controls. Members of boards of directors often find their greatest rewards in guiding business to their own financial affiliates. Stockholders appear to be more like people invited by management to supply money rather than men who hire the management. They are kept satisfied with regular and occasional extra dividends. The voting machine is controlled by the "inside" management. Even in battles between conflicting financial groups, arising at a time of crisis, the stockholder is given the choice of surrendering his judgment to one or the other group, as the appeals are never buttressed by platforms or programs. The charters give the stockholders few powers to initiate or review. Even in this era of advanced stockholder relations, he is treated as an outsider to whom select decisions are referred as they are released to the public.

The large corporation is truly an institution endowed with public interest, usually privately controlled by a small clique, affiliated with others in the "management class." Most of the limits on the managers' powers are vague and not truly restrictive. They have little to answer for as long as the enterprise is profitable and dividends are regularly paid.

The executives not only control our economic life through these corporations, but exercise extraordinary powers on political institutions. True, under the New Deal, they lost out in significant areas of our national government, and the reaction to the depression swept them out of dominant positions in many state and local governments. But persistent effort and generous financial assistance and gratuities have re-established their influence at the local and state levels sufficiently to endear the principle of state's rights. After an arduous campaign to recapture the Federal Administration, starting in 1936 with the Liberty League, big business rode in with the Eisenhower Administration. Its objectives are to reduce governmental activities and supervision, free big business of restraints and transfer decisions from government to its provinces.

Public relations programs, lobbying expenditures and special efforts to influence legislators and administrators reflect the tremendous resources at their command to secure favors. The results have justified the effort. Government contracts, grants for research, certificates of necessity, financing facilities, plant structures, wind-fall profits and accelerated depreciation privileges have more than balanced the costs. Direct appeals to the legislatures have brought special tax gains for the large corporations, with resulting more liberal depreciation allowances and other tax benefits.

Vexed by the prevailing, historic disapproval of bigness in the United States these men have embarked on a campaign to restore their prestige and influence in our cultural and communal life. The law has given them ample resources, since tax exemptions enable the corporate officials to spend public funds for educational or civic purposes so as to build up recognition and power. Their own payrolls carry many skilled persons prepared to sell the public on the big corporation. The multiplicity of recent books, including those providing no personal advantage to the writers, speak of the scope of current efforts at promoting public approval. The crest of this campaign was reached when President Eisenhower pronounced in his annual message that "size alone does not preclude effective competition." Others have served big business with rationalization for their high prices stressing the need for self-financing of expansion, or with polemics for "lifo" methods of valuing inventory and price adjustments on assets.

Their efforts to win public approval would not warrant criticism if business enterprises were public relations institutions. They are, however, chartered for production and sales or specific business ventures and not as educational, political or propaganda agencies, organized to direct our political and social thought. The Corrupt Practices Act prohibits contributions to political campaigns. Are not these other uses of tax-exempt funds and corporate income, most often without stockholder approval, equally unjustified or irrelevant to the functions of the business enterprise?

Are Competition and Countervailing Forces Enough to Balance Big Business in the United States

The above developments have raised serious doubts as to the wisdom of the decisions and the use made of the concentrated economic power held by the managers of big business. In our political life, we have the means with which to counter-balance their influence and ambitions for domination. True, the struggle for real political democracy is not an equal one because of their financial resources, influence over the press and channels of communication. In fact, we know only too well the devious techniques used to infiltrate both parties, though predominantly the Republican.

Individual freedom and our traditions of free speech and thought have served to protect us in our cultural and communal affairs. But even in that area, the extensive employment or endowment of professional groups by big business has distorted the perspective of many members of such groups. The battle to preserve individual independence is a continuous one.

What have we to rely upon in our economic society? Competition among producers or sellers has been severely restricted as a

*An address by Mr. Barkin at the Conference on Values in the American Tradition, Wellesley College, Wellesley, Mass.

restraining and controlling influence. A vast number of our markets, defined according to one's own tests, are dominated by a few producers or sellers. Moreover, the government has had to restrict the operation of competitive forces in some areas, because they were so destructive of labor standards or terms of trade. Of course, some businessmen, including some most vocal on the need for competition, have obtained governmental protection for price fixing, as in the case of the resale price maintenance laws.

With competition widely recognized by the consumer as no longer dominant, the economist came along to document the conclusion with fact and theory. This onslaught on big business prestige brought few immediate defenses, since the 1929 depression had already reduced its stature. But, at the beginning of the forties, new responses became available, heralded by J. M. Clark's essay on "Workable Competition." Since then we have heard a number of defenses of bigness.

The superior rate of innovation resulting from large business organization, it is claimed, provides an adequate substitution for older types of competition. The loss in economic efficiency and the temporary high price created by administered price levels are offset by the subsequent lower price level of the successor items. Competition has been broadened from bargaining among producers trying to sell the same item to producers selling competitive and alternative products or services. The battle for the consumer's dollar has become a real economic force with the increase in the volume and importance of discretionary buying, driving down prices and stimulating efficiency. While advertising and other non-price appeals are the principal leverages, the long-run effects on price are favorable.

The results of economic activity, rather than the form of business organization, must be the test by which to judge business performance. "Workable competition" must substitute for "pure competition." But the theorists have not supplied us with adequate tests of "workable competition" or means of measuring the degree of decentralization of power. Too often in the past, formalistic criteria, such as uniform prices obtained in a competitive market, are employed to justify monopolistic behavior, without looking behind the economic effects of the corporation's and industry's entire behavior.

John Kenneth Galbraith focuses on another force in the economy to assure us that we can live with bigness. Countervailing powers counteract and balance the primary concentration of power. They are nurtured in the same evironment, among the actual or potential victims, to curb the abuses and the misuse of power employed against them. In a most optimistic mood, he conceives it as being a self-generating force which can keep our private economy in balance and make government intervention unnecessary.

Neither approach to the vital challenge of big business in a democratic society is reassuring. The first suggestion, that we test our economy not in terms of size of units or structure, but by results, continually fails us. The data for testing the conclusion are inadequate and the apologists have not even enrolled big business into their camp to provide them with the sinews of defense. Pragmatic tests are few. They tend to be satisfied with proof of absence of collusion or complete monopolistic domination. Otherwise, the case rests upon assigning credit to big business for the post-war prosperity and obligingly forgetting the collapse of 1929 and the failures of the '30s.

Big corporations are not pressed to reduce prices to real cost levels. The influences affecting decisions are many, including the desire for maximum or reasonable profits—whichever phrase is most pleasing—both over long and short periods, and other factors of policy, such as substitutes, public reaction and prevailing industrial codes. These are limiting factors on, and not determinants of, prices. The decision is management's. The selected level of returns depends completely on the reconciliation it chooses. As for the consumer's freedom to react, it is limited by the allegiances he has developed, as a result of advertising and social pressures, to particular goods and specific brands.

The overall decisions are not conducive to the best economic efficiency. At times, the efficient will forego business, such as government contracts for tanks, or will maintain high prices to prevent his small competitors from going out of business, lest he incur the public's wrath and to assuage public resentment against monopoly. Results are not sufficient to test an institution; motives are equally important.

Just as prices are determined by a combination of motives involving profit and industrial position, so are other decisions on innovation, volume of production and competitive behavior. Many are the abuses of economic power when the latitude is so wide and the limits of discretion so broad.

Limitations on investment are common when the market is producing profits; discouragement of new entrants is strong when the public eye is not focused on an industry. Yet the same corporations are quite ready to encourage favorable opinion when criticism is gathering on the horizon, by leasing their know-how to other firms, as DuPont has done in the case of both nylon and cellophane production. If suspicions of avarice are becoming too widespread, they are quite prepared to mitigate them with generous contributions to public purposes of tax exempt funds.

The theory that each oligopolist begets his own counterpoise is a reassuring thesis. But the author himself has many misgivings about its reliability. There are vast areas where such countervailing forces do not exist. Unfortunately, in the field from which he gets his clearest inspiration, labor, there are many zones of concentrated power, including chemicals and textiles, in which there are no pervasive union organizations. The big corporations employing white collar persons have not been counterbalanced by corresponding labor organization to assure equality of bargaining in this area.

The new countervailing institutions require a "minimum of opportunity and a capacity for organization." They are often lacking or weak, particularly when the government is controlled by the oligopolists themselves, intent upon preventing new countervailing groups from arising and destroying those which exist. The present employer-oriented National Labor Relations Board provides little encouragement for the appearance of independent labor organization.

If government is necessary to bring into being and to nurture the countervailing forces, as Galbraith observes, might we not first concern ourselves with the problem of maintaining an administration favorable to such operations?

Furthermore, there are industries where such countervailing organizations are unlikely to appear because of the predominance of the giants. To the automobile industries, thus safe from countervailing forces in the manufacture and selling, we would add tobacco, film producers, liquor, household appliances and other durable goods manufacturers. Even the retailers, engaged in the new forms of large-scale retailing, who have reduced marketing costs through greater efficiencies, have not really reduced the manufacturer's prices except by intruding in his field.

The faith in this alternative becomes even less firm when we are told that countervailing forces are effective only in periods of recession, deflation, or depression. But our tolerance of big business developed in the post-war years, when inflationary tendencies, if not outright inflation, prevailed. Our suspicions of big business grew strongest and criticisms harshest when countervailing forces are allegedly most operative. It was in the '30s that the big corporations most ardently pursued restrictive production, investment and high price policies. This combination of views is hardly tenable.

Galbraith declares that his countervailing forces, where they exist, will not give "an ideal distribution and employment of resources." They will only operate in the "right direction," which is, presumably, counteravailing pressure against abuse of private power. We cannot be even assured that where they exist they will offset the primary power in every area of its decision making. The trade union will, at best, only balance in the area of relations with workers, the farmer on his purchases, etc. What is to be done to insure complete coverage where the self-generating forces nurtured by government do not produce the adequate counteravailing force for some areas? Can this position relieve us of our anxiety about the power of big business even in the economic area, where we must constantly search out or create new institutions and find substitutes for counteravailing forces where they do not arise?

Big Unionism

A major diversionary move, designed to sidetrack attacks on big business and to curb organized labor, takes the form of a demand to bring unions within the jurisdiction of the anti-trust laws. Secretary of Commerce Sinclair Weeks is the most recent protagonist of this position, carrying it from the point where the National Association of Manufacturers left it during the debates on the Taft-Hartley Act.

The fundamental fact is that trade unions bargain with management on terms of employment and not on the price of goods and services. The law has long recognized that human labor is not a commodity.

The results are not determined by workers, but are agreements of two really opposing parties. If management's decisions are influenced by its monopolistic or dominant position in the market and its confidence in its ability, as price leader, to pass on the cost of improvements to labor, then the issue is no different than any other management decision in our era of big business. We should curb its power and not the workers' organization, a major countervailing force in our society. If any correction is to be made, it should be to increase the protection provided workers organizing in areas where big business is now able to suppress such organization with the aid of the Taft-Hartley Act and the present National Labor Relations Board.

The existence of a national labor organization does not in itself establish national bargaining. Many national unions in localized industries depend completely on autonomous local negotiations. As a matter of fact, little industry-wide bargaining exists in the United States. Pattern bargaining predominates. The industry usually waits for the conclusion of labor agreements with its leader or pattern-setter for guidance on its settlements with other companies. This practice of following the leader on labor standards antedates collective bargaining and originates in many industries with the determination to resist labor organization. Union agreements with satellite companies are often on less favorable terms to the workers than those with the leader.

The cry of "big unionism" is a smokescreen to hide the determination to destroy effective unionism.

The major problem of big, as well as small unions and other membership institutions, is that of assuring a proper voice and safeguard for the individual's freedom therein, without atomizing the organization itself and reducing its bargaining power. Many promising developments have been instituted in this area.

Conclusion

Big business is a challenge to the American people. Its power and dominance must be kept under constant surveillance. The new prestige cultivated in the postwar years has served it well in gathering new privileges and incentives and in extending its authority. Its influence in our political, social and cultural life has deepened greatly. Under the stimulus of national emergencies and an expanding economy, together with special benefits and incentives, big business grew and subordinated many restrictive practices and inclinations. But this does not mean that they have been eliminated. It requires a strong trade union movement, a high level of taxes and a Federal administration responsive to many equalitarian and diverse interests, to maintain some economic balance.

Many of these essentials for countervailing pressures have waned, particularly with the new national Administration's alliance with big business. We have no systematic procedures nor do we possess adequate countervailing forces to pressure big business to act constantly in the public interest, promote national efficiency, assure adequate utilization of resources, provide the lowest possible prices for services and goods, and help maintain and expand a full employment economy. These forces in our democratic machinery are lacking.

Many doubts have been voiced concerning the adequacy of our enforcement of the anti-trust laws. The courts have not been too helpful and the Department of Justice has not always been sufficiently vigilant. Nevertheless, these laws and court decisions have inhibited big business in cartelizing its powers. A simpler procedure for enforcement would be helpful. But above all else, we need more specific legislative definitions of undesirable practice, restrictions on bigness and more powers for regulation.

Big corporations must be incorporated by the Federal Government and subject to an identical system of limitations. The Federal agency should be furnished with regular reports on policy, performance and results and should be entitled, on its own motions or on public complaint, to survey individual corporations for behavior in conflict with the public interest. Criteria should be developed to define the types of big corporations and businesses which should be dissolved, as were the public utility holding corporations in the thirties.

The beneficiaries of public privileges and financial incentives should be particularly responsible for meeting tests of constructive business practice, progressive management, reasonable price levels, and constructive collective bargaining. Where the market itself cannot effectively operate to pressure prices and production to efficiency levels, we must substitute public review. The present Corrupt Practices Act prohibits corporations from intruding into our political life. A code is necessary for limiting the use of tax exempt funds and corporate payrolls to influence our social, cultural and communal institutions.

Big corporations are public institutions dominated and governed by private interests. Those who abuse their power should be dissolved. The others should be subject to constant public scrutiny.

F. D. Arrowsmith to Join Van Alstyne, Noel

F. D. Arrowsmith

F. Donald Arrowsmith on Feb. 1 will be admitted to partnership in Van Alstyne Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange. Mr. Arrowsmith is a partner in J. R. Williston & Co.

Luce, Gresov Directors

Election of Dudley G. Luce, President of J. G. White & Company, Incorporated, New York investment bankers, and Boris Gresov, economist with G. H. Walker & Co., New York and St. Louis investment bankers, as directors of Western Development Company, has been announced. J. G. White & Company, Incorporated, was the managing underwriter of a group of investment houses which earlier this year marketed 300,000 shares of capital stock of Western Development Company. Mr. Gresov formerly was Vice-President and Production Manager of Taxco National Mining Company, Mexico City. Since 1949 he has been in the investment banking business, in New York. Western Development Company is engaged in the exploration, development and operation of oil, gas and other mineral properties, chiefly in New Mexico.

Elick Lowitz Honored

An impromptu celebration on the trading floor of the New York Stock Exchange was held around Elick Lowitz on the occasion of his 89th birthday. To commemorate that milestone Harold W. Scott, Chairman of the Board, presented Mr. Lowitz, on behalf of all members on the floor, with a silver tray.

Mr. Lowitz, his son and his grandson are all Stock Exchange members. All are members of the firm of E. Lowitz & Co., 29 Broadway. They are the only father-son-grandson combination ever to hold Stock Exchange memberships at the same time.

Mr. Lowitz became a member of the "Big Board" in 1931. His son, John J. Lowitz, became a member in December, 1927. William H. Lowitz joined the Exchange in October of last year.

Shaiman & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Shaiman and Company has been formed with offices in the Boston Building to engage in a securities business. Officers are Philip Shaiman, President; Marian Shaiman, Vice-President; Isaac Mellman, Secretary, and Philip Shaiman, Treasurer.

Continued from first page

Experts Predict Moderate Business Recovery in 1955

Fred Fraser, Economic Consultant, Canadian Pacific Railway Company; **George P. Hitchings**, Manager, Economic Analysis Department, Ford Motor Company; **Thomas S. Holden**, Vice-Chairman, F. W. Dodge Corporation; **Nathan M. Koffsky**, Chief, Farm Income Branch, Agricultural Marketing Service, U. S. Department of Agriculture; **Louis J. Paradiso**, Assistant Director-Chief Statistician, Office of Business Economics, U. S. Department of Commerce; **George B. Roberts**, Vice-President, National City Bank; **Helen Slade**, Managing Editor, "The Analysts Journal."

Forum members participating included: **Jules Backman**, Professor of Economics, New York University; **Solomon Fabricant**, Director of Research, National Bureau of Economic Research; **Martin R. Gainsbrugh**, Chief Economist, National Industrial Conference Board; **A. D. H. Kaplan**, The Brookings Institution; **Clyde L. Rogers**, Vice-President, National Industrial Conference Board; **O. Glenn Saxon**, Professor of Economics, Yale University; **Bradford B. Smith**, Economist, United States Steel Corporation.

The following are highlights of the remarks made by participants:

MR. HITCHINGS

Sees Improvement in Consumer Durables Sales

The year 1954, in terms of factory sales to the domestic market, will run about 5.3 million cars. . . . The results indicate surprising strength in the automotive market . . . in view of the conditions prevailing this year. . . . Since the beginning of the year, the market has shown no signs of weakening whatsoever.


Geo. P. Hitchings

. . . As far as the potential number of new car buyers is concerned, I don't think there is much problem of at least holding even with what we have done this year. . . . I expect consumer expenditures for durable goods in 1955 . . . to be slightly better than in 1954.

MR. SMITH

Foresees Higher Steel Production, Generally Stable Business Conditions

The production of steel in the coming year is going to be somewhat more, but not much more than it will turn out to have been in this year of 1954. . . . Buyers of steel have been taking down inventories during the greater part of this year, which can be translated into an ingot equivalent for the year of, say, net five to eight million tons. Thus if there is no increase in the rate of consumption of steel in the period ahead of us, the percentage rate of the production of steel . . . should average a little higher.


Bradford B. Smith

. . . The average percentage of capacity this year (1954) will be somewhere close to 71%. I think it could be something like a half-dozen percentage points higher this coming year. . . . It is going to be another year of reasonably good business but not one in which it is safe to calculate that there is either going to be a big "up" or a big "down" of significance in one half of the year as compared with the other.

MR. HOLDEN

Sees Marked Increase in Construction

For next year's total building construction we have estimated a 5% increase in physical volume. Total dollar volume, including both building and engineering construction, we have put down at a 6% increase. . . . Residential construction expenditures next year will be moderately up. Housing . . . this year (1954) will probably run to 1,200,000 starts of nonfarm dwelling units. Our estimate is 1,250,000 for next year.


Thomas S. Holden

. . . The increase this coming year is going to be practically entirely in single-family houses. . . . Residential construction is currently and probably will be next year of larger and better quality units than we have had most of the time since the war. . . . Additions and alterations (will probably be) up; . . . commercial construction activity, (up only) moderately, because it is already on a pretty high level. . . . Industrial construction . . . is the only major classification that we estimate down for next year. . . . As between the first half and the second half, I think it is possible that residential building might run a bit ahead in the first half.

MR. FABRICANT

Anticipates Rising Expenditures by State and Local Governments, Little Change in Federal Spending

The decline which started somewhere around the middle of 1953 seems to have come to a halt . . . We have had . . . a reduction in taxes which I think has helped improve the situation. . . . There seems to some evidence that the impact . . . of the decline in the Federal government's expenditures on defense . . . is coming to a close.


Dr. S. Fabricant

. . . With respect to state and local expenditures . . . the prospects look good. I do not think we are going to have $100 billion of public works by state and local governments in a very short period of time. . . . There are financial problems which will prevent a galloping increase . . . but they won't prevent a rise.

MR. PARADISO

Expects Higher Expenditures on Consumer Services and Soft Goods, Further Inventory Liquidation

(Personal consumption expenditures) for services have been moving up gradually. . . . In this sector I expect expenditures to continue to rise even though we may have stability in disposable income and total business activity. . . . The trend of expenditures of nondurables hinges largely on what the trend of income is likely to be. . . . I can't see the forces which will make for a real upward push. . . . I can't see forces here which are going to stimulate the economy greatly on the upside nor are there forces which are going to produce a substantial decline.


Louis J. Paradiso

. . . Finished goods inventories . . . are relatively high in relation to sales, even though they have been coming down. There is some indication that liquidation will continue in this area. Inventories of purchased material . . . are being rebuilt and these inventories are rising. . . . My hunch is that we can expect some liquidation through the early part of 1955, after which, depending on the trend of production and demand, we may get little or no change.

MR. ALEXANDER

Sees Higher Consumer Spending, Lower Saving

While people may have been loath to spend their money during the early months (of 1954), at the present time they are not nearly so conservative. . . . Total retail sales for the first half of 1955 may be expected to be up slightly, maybe 5%, compared to the same period last year. During the second half (they should) level out . . . and move mainly sideways, . . . perhaps a bit above the second half of this year.


Ralph S. Alexander

. . . The leaders among the regular stores, particularly department stores, are taking active steps to become price competitive in durable goods with the discount houses. . . . If that is the case, there ought to be some step-up in the volume of durables.

. . . Consumers will be in a little more optimistic frame of mind and may be expected not to put quite so much money in the sock, but to put more of it in the tills of the retail stores. I would expect the increase in durables purchases would come largely out of what might otherwise be put into savings.

MR. FRASER

Improved Business Outlook for Canada

Looking to the 1955 outlook for Canada . . . the factors of strength . . . appear to be: the continued population growth; unabated resource development . . . ; steady gains in productivity; the prospect of an improved trade position; the prospect of a continued high level of construction activity; the prospect of an improved export position in the sterling bloc and in Europe.

The factors of weakness (are) the declining farm income . . .; the increasingly competitive position faced by advanced manufacturing industries and the lack of a selective tariff policy designed to encourage growth of such industries; the reduced purchasing power occasioned by unemployment and lower profits in advanced manufacturing.

. . . It seems to me that prospects for 1955 in Canada are for at least as good and possibly a slightly improved position as compared with 1954. The carryover from 1954 of the housing program, delayed largely by weather conditions, will stimulate construction in housing in 1955. . . . The hospital and school construction program will also stimulate institutional investment. Government investment in defense establishments will be maintained. Government investment in the Seaway project will manifest itself to some extent in the second half of 1955.

MR. SAXON

A Moderate Rise in Both Imports and Exports

. . . Where we have had in the *over-all* balance of payments a small negative position this year, next year it will be practically eliminated and we will have a balanced position. . . . I do not anticipate any substantial change in the total volume of U. S. military aid exports, though they will expand several fold to West Germany. There will also be a shift . . . from Europe towards the Far East.


Dr. O. Glenn Saxon

. . . There will be some minor degree of expansion of U. S. exports next year, due to the removal of many of the restrictions that have existed for the past 15 to 20 years. There will be a tendency to remove more and more of them, as foreign nations get into better and better balance-of-payments positions and come nearer convertibility, whether on gold or otherwise. Imports . . . will tend to increase, but only moderately.

. . . (There is a) steadily growing possibility of full convertibility among the major national currencies. Belgium, France, Holland and Germany . . . are very eager for it. England could have come to full convertibility this year.

MR. KOFFSKY

Foresees A Further Small Decline in Farm Incomes

We do not anticipate any significant change either in the level of consumer income or in the proportion spent for food next year. . . . We would expect to ship a larger volume of agricultural products abroad . . . out of CCC stocks. . . . CCC investment as of the end of September was $6.4 billion. . . . I would expect no further increase in investment. . . . For the first half of 1955 it looks essentially like price stability and there might be some mild improvement since the peak of harvest has passed. . . . As we get some easing off in the heavy supply picture for livestock products in the last half of 1955 we probably will hold a fairly stable level of over-all prices, even though crop prices may sag at harvest time again. . . . Net income (of farmers) would be reduced perhaps 3 to 5% in 1955 from this year. . . . The farm market for production equipment is definitely down this year . . . somewhere between 10 and 15%.


Nathan M. Koffsky

. . . Next year I don't see any significant improvement.

MR. KAPLAN

Expects Moderate Gains in Business Activity, Little Change in Inventory

I don't expect . . . any drastic changes in inventory. . . . Purchasers realize that capacity generally is high and that ample supplies are vailable. . . . There is no immediate basis for expecting prices to go up at a rate that makes it necessary to . . . order in excess of current requirements. . . . Liquidation since the inventory peaks of last autumn has by no means been drastic and the need for further streamlining of inventories in some areas will partially offset expected pick-ups in others.


A. D. H. Kaplan

. . . Consumers are ready to pick up a bargain; they are not expecting sharp price declines though they would respond to the better buys that a buyer's market may bring. . . . We can see a very fluid condition, one that will undoubtedly burst forth into business expansion, enough to make the $500 billion GNP prospect of the next decade . . . reasonable. But I don't see that 1955 is going to take more than a moderate stride toward that target. . . . 1955 is not yet the year of the big push.

MR. ROBERTS

Sees Stability in Interest Rates

Barring a further recession in business, interest rates seem unlikely to go lower. . . . On the other hand, I don't see . . . a big enough upturn in business to cause any pronounced stiffening in rates. The Federal Reserve and Treasury authorities are going to be working to (prevent rates from rising) until they are very certain that the upturn in business is real.


George B. Roberts

. . . Some of the factors in the business loan decline (are): inventory liquidation, which is continuing and has been centered in the metals and metal products category; the tapering off in the rise in consumer credit; and corporate refunding. And depreciation charges . . . have provided cash for doing business without the need of borrowing. . . . Some of these factors may be nearing their termination. . . . I can hardly envisage inventories continuing to go down much longer.

. . . Real estate loans are increasing along with the building boom.

. . . Finally, there is the further step-up in corporate tax payments. . . . These various factors, working together, should be re-

flected in a somewhat firmer tone to the money market than has prevailed over the past year.

MR. BACHMAN

Sees Little Change in Prices, Higher Unemployment

1955 will be characterized by . . . a large amount of competition . . . which will act to hold down prices, and in many cases to force price concessions. . . . I can see practically no changes in wholesale prices. Retail prices will show relatively little change. . . . The food picture suggests little change in food prices. Most of the pressure for higher rents has subsided. . . . If there is any change at all in apparel and housefurnishings it will be somewhat on the downward side. As a result of these trends there should be little or no pressure on wages as a result of rising living costs.

Dr. Jules Backman

. . . Thanks to the increase in size of our labor force . . . and thanks to the probable increase in productivity, it seems to me that we can't avoid getting a somewhat higher volume of unemployment next year than we have had this year. I wouldn't be surprised to see the total number of unemployed in the spring go above four million.

MR. DOHERTY

Expects Active Year in State Labor Legislation, No Important Changes in Taft-Hartley

If . . . changes are made (in the Taft-Hartley Act in 1955) they are going to be insignificant. . . . The House Labor Committee will be more conservative than the committee of last year. Union leaders are well aware of the fact that the Washington climate is definitely not conducive to changing the . . . Act in any substantial form. The Act has not interfered fundamentally with sound collective bargaining, as indicated by the economic results achieved during the time Taft-Hartley has been in existence. I do not believe that any basic legislation ever takes place unless there is a grass roots movement . . . there is no such public movement today.

Richard P. Doherty

. . . I anticipate a fairly active (year in) state . . . labor legislation. There will be . . . activity in the so-called "right to work" legislation. . . . Slightly more than one-third of the states now have a "right to work" law. . . . During the next year . . . there will be some increase in state "right to work" legislation. I anticipate . . . increased legislation in the field of secondary boycotts. . . . A very substantial amount of attention will be given to liberalization of state unemployment compensation laws.

MR. DUNLOP

Sees Moderate Wage Increases, Higher Unemployment

Price stability and the relatively large volume of unemployment which will result if business activity is little more than the current year . . . will tend to keep wages from going up. On the other hand, . . . there is the continuing drive for fringe benefits, (and) the high level of profits is a permissive factor . . . in the direction of modest wage increases under price stability. (With regard to) wage estimates for next year, (I would come out) in the neighborhood of an average of 5 to 8 cents including fringes. At . . . present wage levels . . . a 2.5 to 3% increase in productivity yields an increase of 5 to 6 cents.

. . . Even a slightly improved business outlook will leave an increased volume of unemployment.

. . . Public reaction working through political channels may be expected to result in some further steps to mitigate an unemployment level of 3.0 or 3.5 millions. I do not believe that the unemployment level can reach 4 millions without . . . very considerable pressures for public policy changes. . . . The larger the volume of unemployment the greater the pressure for shorter hours.

MISS SLADE

On Growth Shares

During the coming year cross-currents are likely to have greater influence on the prices of securities than in the past. . . . The upward trend of 1955 is apt to be punctuated by declines. . . . Prices will lack the impetus caused by apprehension of imminent war. . . . They will lack the stimulus of tax benefits. . . . The business decline is about over, but revival could not in itself be of sufficient . . . force to send the entire list skyrocketing. It would, however, establish a . . . resistance point. In addition to improved business, several sources of strength seem evident for 1955. These include possible mounting foreign trade; the purchase of our securities by foreigners; our own increasing disposable funds; and the trend of interest rates. . . . Industries in which to find growth shares probably will include those dealing in road building, chemicals, electronics and airplanes.

Helen Slade

MR. GAINSBRUGH

In Summary

As a group we are apparently agreed that the turning point in the cycle has already been reached. . . . The Forum anticipates a rise in the index of industrial production . . . from around 124 currently to about 128 in the first half of 1955. It looks for a further rise to about 131 in the second half of 1955. The Forum's consensus is for a rise in Gross National Product from $356 billion, the current rate, to $360 billion in the first half of 1955. It anticipates a further rise to $363 billion in the second half of the year. . . . There was clear unanimity among the Forum on continued price stability throughout the year. . . . The probable extent of unemployment in 1955 . . . seems to be just short of three million unemployed, on the average in the first half of 1955 with a slight decrease to about 2.8 million in the second half.

M. R. Gainsbrugh

Personal consumption expenditures might move up in the first half under the influence of expansion in expenditures for durables. There was some mention, too, of strength in the non-durable sector, and a rise in the service sectors is virtually built into 1955. We might have as much as a $2 to $3 billion or even better increase in new construction, including public in 1955. Inventories should come into balance; they might conceivably become a plus factor in the second half. . . . The government sector . . . would get some further expansion at the state and local areas . . . but total Federal spending would decline.

. . . The Forum also saw numerous areas of weakness in 1955. Correction of the inventory situation is a one-shot affair, as is the current bulge in defense contract placement. Mention was made of the continued declining level of industrial building and investment in 1955. Agriculture remains a weak sector of the economy with a further cut in prospect in agricultural income.

. . . On the whole, (The Forum's) views suggested that because we have had so mild a recession, we should anticipate no more than mild recovery, at best. As a group (the Forum saw) no major forces of expansion pushing the economy sharply upward . . . but (it also saw) no major forces leading to drastic contraction in 1955. The consensus of Forum viewpoint is that 1955 may not be the highest year of economic activity but it could well replace 1954 as our second best year.

Melville Bertschy Retiring

Melville Bertschy, who has been continuouhly associated with Lehman Brothers for more than 52 years, will retire on Dec. 31, 1954, it was announced. He entered the employ of the firm as an office boy on Feb. 23, 1902, and rose to managership of its commodity department in 1915. Since 1951, when the department was discontinued, he has served in fiduciary and advisory capacities.

Mr. Bertschy is a native of New York City, but is now a resident of South Orange, N. J., where he has lived for the past 23 years. He graduated from public, grammar school and continued his studies at business school after obtaining his job with Lehman Brothers.

C. J. Stewart Director

TOLEDO, Ohio — Charles J. Stewart, general partner of Lazard Freres & Co., and former President of the New York Trust Company, has been elected a director of Libbey-Owens-Ford Glass Company, replacing James S. Adams, of New York, who resigned "because of pressure of other responsibilities."

Mr. Adams is also a general partner of Lazard Freres & Co., and has been a member of the LOF board since 1949.

The new director was born in Dallas, and was graduated from Yale in 1918. He is a director also of Penn-Dixie Cement Corp., Illinois Zinc Co., Discount Corp. of New York, Safe Deposit Co., and Beaumont Mills Co.

The Stewart residence is at Bronxville, N. Y.

Joins Sheldon, Erwin

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wisc.—James O. Ferry has become associated with Sheldon, Erwin & Co., 5855 North Shoreland Avenue. He was formerly with Selected Investments Company.

New Coombs Branch

ARLINGTON, Va.—Coombs & Co. of Washington, D. C. has opened a branch office at 2420 Wilson Boulevard under the direction of David A. Law.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money markets are ending the year 1954 with not too much of an air of concern, even though a change in the emphasis in monetary policy has been announced by the powers that be. A modest firming in interest rates is looked for by some in the coming year. The extent of any increase in money rates is not easy to forecast and as a result this group is content to wait and see what will develop. As an offset to this kind of thinking, there are those who believe that the changes, if any, which might take place in money rates in 1955 will not be of great importance, and the money markets will have only what are termed "the usual fluctuations" next year.

A feeling of optimism prevails with respect to the 1955 economic outlook and, unless things get out of hand, it is not expected that the money managers are going to do anything to retard or slow down this pattern. This explains why not a few money market specialists are not looking for any really important change in interest rates next year.

The year 1954, as far as the Government market is concerned, is ending on what is termed by some as a somewhat confused note. The competition from non-Federal investments during 1954 was one of the outstanding developments, and the putting of funds to work in other than Treasury obligations had the effect of taking some of the attraction away from Government securities. Despite this factor, which was and still is a very potent one, the Government market is closing out the year with prices of many issues above those shown at the end of 1953.

Even though the longest Government bond, the 3¼% of 1978-83, is under its high for the year, it will still show quotations at the end of this year rather well in excess of those that were reported at the close of 1953. Price gyrations of the most distant Government bond during the past year will not be too dissimilar to those registered by this same issue in 1953. A six-and-one-half point range is quite likely for 1954, as against about a seven-and-five-eighths one shown the year before.

New Monetary Policy and Bond Prices

The monetary policy from about the middle of 1953 was going from one of restraint to that of ease, whereas the closing of 1954 brings with it notification from the Chairman of the Federal Reserve Board that the emphasis in monetary policy has changed from that of "active ease" to one of "flexible ease." Is the "flexible ease" policy going to give the longest Treasury bond another six to seven-point price range mainly on the down side in 1955? Many money market specialists do not believe this will be the case, barring of course unexpected happenings, because they hold the opinion that the 3¼s of 1978-83 are not likely to get down to the closing quotations of 105¾, which was shown at the end of 1953. They point out that "flexible ease" to their way of thinking means a much narrower range for the longest Government bond in 1955 than has been registered in the last two years. If this should come to pass, then the longer maturities of Government securities should turn out to be excellent buys on any dips that might take place in the coming year.

Intermediate Issues Seen Attractive

The intermediate term issues have been adjusting to the recently offered refunding bond, and even though it will still take a bit more time for the new obligation to pass into strong hands, there appears to be not a great amount of concern about the middle-term issues moving very far away from the prices which will be registered at the close of 1954. Competition for the intermediate term obligations from tax-free offerings is expected to be about the same during the coming year as it was in 1954.

However, even with the policy of "flexible ease," it is the opinion of certain elements in the money market that the not too long maturities of Treasury securities are not likely to be very much on the defensive and purchase of these issues at prevailing quotations should not prove unfavorable during the coming year.

Open Market Operations

The short-term obligations that is the Treasury bills, have been the medium through which the powers that be have carried out open market operations, and undoubtedly there will be no change in this method of operation in 1955 unless the ideas of Chairman Sproul of the Federal Reserve Bank of New York are given greater consideration than they have been in the past. The trend of short-term rates could be the clue as to what is going to happen in the money markets in 1955. At this time, and with a certain degree of guesswork as far as the interpretation of, and the actual operation of the "flexible ease" policy is concerned, no startling changes are looked for by some money market operators in short-term interest rates.

To be sure, prices of all Government securities will continue to fluctuate as they have in the past, but unless the unforeseen develops, the new "flexible ease" policy of the monetary authorities does not appear to have most money market specialists too much concerned about a rather defensive attitude in the Government market in 1955.

HAPPY NEW YEAR!

Mutual Funds

By ROBERT R. RICH

THE GROWTH in recent years of the country's oldest industry, glass making, is described in the December "Perspective," issued by the Investment Management Department of Calvin Bullock.

Estimating annual glass sales at $1\frac{1}{2}$ billion dollars, the study contains a sales breakdown of the principal types of glass products and cites the percentage sales increase of each type between 1947 and 1953.

Flat glass, used by the building industry and, in laminated form, by the automobile industry, represents one-third of the industry's sales, and registered a sales gain of 69.4% in the period studied.

Glass containers, despite competition from metal, paperboard, and plastic containers, represent over 40% of the industry and have shown a sales gain of 50.6%.

The third component of the industry is pressed and blown glass, used in tableware, cooking, in electric light bulbs and scientific glass ware. Its sales represent about one-quarter of the industry and have increased 41%.

The postwar period has been marked by an extensive use of glass in modern building, the study notes, one example being the United Nations Secretariat Building in which two thirds of the wall area is glass.

The progress of the glass industry in the face of increasing competition, the study finds, is due mainly to the industry's intensive technological research.

BULLOCK FUND, LTD., a mutual fund with capital appreciation a major objective, reports net assets at an all time high of $21,120,920 on Nov. 30, 1954, end of the fiscal year. This compares with net assets of $14,876,997 a year earlier.

Net asset value per share totaled $30.79, compared with $2 on Nov. 30, 1953.

The annual report states that year-end, more than 40% of Fund's assets were invested corporations active in such fie as atomic energy, plastics, electronics, television, synthetics, propulsion, titanium, gas turbi diesel engines and pharmaceu cals.

"Evidence is currently accum lating," the report states, "that we are at the beginning of a stea recovery which provides assur ance of a satisfactory volume o business and rate of corporate earnings over the coming year.

"Under the circumstances the management has maintained fairly fully invested position, with common stocks representing 87.9% of net assets." Chemicals, petroleum, railroad, steel and aircraft manufacturing constitute the Fund's five largest holdings.

PERSONAL PROGRESS

D. MOREAU BARRINGER, Philadelphia investment banker and Chairman of the $25 million Delaware Fund, was elected President of the Meteoritical Society at its three-day annual meeting Dec. 28-29-30, on the University of California campus, Berkeley, Calif.

The Society, dedicated to the study of meteorites and made up largely of astronomers, physicists and other scientists from various sections of the world, is a member society of the American Association for the Advancement of Science.

Mr. Barringer's interest in meteorites stems from the acquisition by his family early in this century of the world's largest proven meteorite crater, located 20 miles west of Winslow, Ariz. The crater is believed to have been made 50,000 years ago and is 4,000 feet in diameter and 600 feet deep.

Today, as President of the Barringer Crater Company, the Delaware Fund executive directs the continuing study of this meteorite crater in the interests of science.

Growth Fund Up 43% in Year

Massachusetts Investors Growth Stock Fund, Inc. in its 22nd annual report for the fiscal year ended Nov. 30, 1954 shows total net assets of $60,073,468 with 2,484,527 shares outstanding and 18,000 stockholders, all new record highs, compared with $42,117,695 in assets 2,448,987 shares outstanding and 17,821 stockholders last year.

The net asset value per share on Nov. 30, 1954 of $24.18 was also a new year-end high. This amount together with the special distribution of 26 cents per share in December 1953 is equivalent to $24.44 per share and compares with a net asset value of $17.20 on Nov. 30, 1953.

Discussing atomic energy and its application to growth companies, the report states that the fund's management, with the help of outside experts, is actively analyzing and appraising this new field in order to "participate soundly in the favorable results which the introduction of atomic energy into our economy will have and to avoid unfavorable results which may be experienced by particular companies or industries."

Major purchases and sales of the fund for the fourth quarter ended Nov. 30, 1954 were:

PURCHASES

Company	Bought
Columbia Broadcasting "A"	3,800
Columbia Broadcasting "B"	6,200
International Cellucotton Products	3,000
Kimberly-Clark Corp.	3,000
McGraw Electric Co.	2,000
National Life and Accident Ins. Co.	5,000
Pfizer (Chas.) & Co., Inc.	3,700
Smith, Kline & French Labs.	1,500

SALES

Company	Sold
American Republic Corp.	2,500
American Viscose Corp.	12,000
Carrier Corp.	4,600
Scott Paper Company	5,000
Sprague Electric Co.	2,450

Group Assets Now Over $80 Million

The 21st annual report of Group Securities lists assets of $74,541,993 at the end of fiscal 1954, a gain of $20,154,247 over a year ago. Assets have since passed the $80,000,000 mark, according to Herbert R. Anderson, Group Securities' President.

Sales for the fiscal year totaled $17,636,447, representing a gain of 89.7% over the preceding year. During the same period, 2,803 new shareholders were added.

Total 1954 dividend payments to shareholders from net investment income were $3,269,180 as compared with $2,924,641 in 1953. Distributions from net realized capital gains amounted to $437,218 in 1954; $206,331 in 1953.

In a review of Group Securities' 21 years of operations, the report lists total dividend payments from income at $38,679,461 and capital gains distributions at $12,643,995.

The report also points out that since its establishement on Feb. 24 of this year, The Capital Growth Fund, newest addition to Group Securities "family" of funds, has shown an increase in asset value, adjusted for capital gains distribution, of 40.5%.

Holdings in the Group Securities Periodic Investment Plan, according to the report, new represent more than $1,100,000 of present market value, with an average initial investment of $358 and the average of subsequent investments $65, although only $100 is required for the former and $25 for the latter.

"Virtually all industries have passed their troughs and are now advancing," concludes the outlook section of the report, ". . . a period of general prosperity seems to be ahead."

To Receive Tax Data

For 1954, each Group Securities shareholder will receive a statement, in duplicate, showing not only the exact dollar amount he received in dividends and distributions during the year, but also how much of that total is (a) taxable as dividends (b) taxable as long-term gain, and (c) non-taxable.

All amounts, for each of the Group Securities 21 funds and industry classes, are computed separately.

In addition, the amount taxable as dividends is shown in two parts, i. e., the amounts received before and after July 29, for easy computation of the new dividend received credit.

The new Group Securities tax information sheet makes it unnecessary for the shareholder to check purchase and sale dates, quarterly rates or the number of shares held. All the shareholder needs do is to transfer the figures from the information sheet to his tax return, attaching the duplicate copy to the return as proof of his figures.

According to Herbert R. Anderson, President of the fund, Group Securities is the first—and probably the only — mutual fund to provide this complete tax information service, made possible by the addition of the latest electronic business machine equipment.

Substantial Gains Reported By Canadian Fund

Canadian Fund, Inc., managed by Calvin Bullock, reports net assets of $29,324,397 on Nov. 30, 1954, the end of the Fund's fiscal year. This compares with net assets of $24,013,592 a year earlier.

Asset value per share totaled $14.73 compared with $11.12 on Nov. 30, 1953, a gain of 32.5%.

The 1954 Annual Report mailed to shareholders estimated Canada's Gross National Product for 1954 at $23.9 billions, only slightly below the preceding year's $24.3 billions, despite failure of the wheat crop and the mild recession in the United States. This nominal decline is convincing evidence of the virility of Canada's economy, the report stated.

Since the rise of Canadian common stock prices has continued to lag well behind that of U. S. stocks, the Report states, the management has continued to reduce holdings of U. S. common stocks and increase those of Canadian corporations. At the year end U. S. common stocks constituted 7.2% of net assets, compared with 10.2% on May 31 last and 17% on Nov. 30, 1953.

The report estimated total foreign investments in Canada by the end of 1953 at $11 billions, of which the United States accounted for $8.6 billions. Canadians, themselves, have provided about $85 out of every $100 of new capital expenditures in their country.

Investment in Canadian common stocks, the report states, is amply justified by the evidence of well-sustained strength and the continued long-term growth prospects of the Canadian economy. Canadian Fund is the first and largest U. S. mutual fund for investment in Canada.

SETH M. GLICKENHAUS, a partner of Glickenhaus & Lembo, 55 Liberty Street, New York, and Donald F. Hine, a partner of Neuberger & Berman, 160 Broadway, New York, were today elected Directors of Guardian Mutual Fund. Mr. Hine is also Secretary of the Fund.

Ira N. Langsan, partner of Neuberger & Berman, and Walter S. Salant, Washington, D. C., were elected Vice-Presidents.

Continued from page 6

The Financial Community And Stockholder Relations

1952, we had a much larger public offering in terms of net proceeds to the company. The underwriters' commission in the 1950 offering was 13.75% and the offering price $4 per share. A little over two years later the commission was 10% and the shares were sold at $7. This time a national investment firm jointly headed the underwriting syndicate and we received a nation-wide distribution of the stock. Aeroquip is now owned by some 2,500 investors, residing in 40 states, the District of Columbia, Canada and Venezuela.

The officers and directors of the company are convinced that this could not have been accomplshed had it not been for our continuing, well planned financial community and stockholder relations program.

On the basis of even a relatively small public offering, let us say $1 million to $1½ million, a 2% difference in commission arrangements means an additional $20,000—$30,000 for the company.

In most cases of a public offering of additional shares, the price is determined a day or two prior to the offering date and is based on the current market price of the outstanding securities.

If, over an extended period of time, interest in the company's shares has been increased and a more accurate appraisal made of its value, it may mean an additional one-eighth of a point, one-quarter of a point or even more per share to the company. A gain of one-eighth of a point on 200,000 shares is $25,000.

At this point we should note that a company's present stockholders are one of the best sources for additional capital in times of public financing. If the shareowners feel that management has done a good job with their previous investment, and if they feel that they are part of the company, having been kept continually, accurately and currently posted on corporate affairs—the chances are they will show their confidence by a further investment.

Managements who have been successful in their relationships with the co-owners of the company have been able to place new issues with existing stockholders requiring only a standby agreement with the underwriters. Arrangements of this sort mean an appreciable savings in money and time.

Another objective gained by making the company a "known quantity" in investment circles is that management advances its relations with banks, insurance companies and other lending institutions.

Readily available funds for both long-term and short-term borrowings—and at preferred interest rates—is a frequent result of an effective financial public relations program. Again, I speak from specific instances with my company.

Concurrent with a corporation's growth, thought is given to listing on a national exchange. An objective of our financial community and stockholder relations program was to set the groundwork necessary to assure a successful and fruitful transition from Over-the-Counter trading to a national exchange listing. This was accomplished in February of this year when Aeroquip was listed on the American Stock Exchange.

A national listing brings with it many valuable obligations. For example, the New York Stock Exchange makes it mandatory to publish quarterly earnings statements. That in itself should serve as instructive prompting to unlisted companies who are perhaps unwisely taking advantage of the laxity permitted by Over-the-Counter trading. Thus, listing itself brings about better financial public relations.

Still another primary objective of our program is maintaining stockholder confidence and support. Continued shareowner cooperation is evidently more essential than ever before what with insurgent groups appearing throughout American industry. Stockholder relations receives constant attention at Aeroquip. We realized that from the very beginning.

Apropos to this is an article that appeared in "Time" magazine on September 20, which discussed the impressive list of companies that have recently run into strong anti-management attacks. Says "Time" magazine, "Some of these difficulties might have been averted by better stockholder relations; good management would have prevented even more. Most stockholders, if confident their companies are well run, will support management."

A further objective of our financial public relations program was to better the company's standing and reputation in its industry community, thus gaining valuable prestige in trade and customer relations.

For example, experience has shown that such a program, when effective, places the company in a better position with respect to attracting offers of acquisitions and mergers. At such times, the already discussed aspects of marketability and the price level of securities play an important part, because many of these transactions are predicated on the exchange of stock.

In our opinion, all these factors are of special significance to the small- and medium-sized corporation which is competing with many thousands of other companies for investment attention.

It is the function of our financial community and stockholder relations program to achieve these objectives by establishing and maintaining, on a year-round basis, effective channels of communication — both by written media and personal contact—between management, and the stockholders and the financial community.

By financial community, we mean brokerage firms, security analysts, investment advisers, customers' men, security dealers, statistical and advisory services, investment trusts, banks, insurance companies, other institutional investors and the financial and business news editors.

This audience of a few thousand exert a tremendous influence — certainly in a majority of cases—upon the investment transactions of millions of stockholders.

The financial community has thousands upon thousands of securities to consider for possible recommendation. Some corporations receive full consideration and coverage at all times. Such is the case with the largest enterprises. But I am talking about a company that is not among the biggest and yet whose achievements and prospects warrant investment consideration.

First off, it should be kept in mind that the securities brokers are always looking for interesting situations. Lack of time naturally limits the scope of their coverage. It follows that it is for management to take the initiative and see to it that complete facts and figures—in interesting, informative presentations—be made available directly and continuously.

The relationship between stock broker and investor is very like that of salesman and customer. In this case the product is "securities." Nevertheless, the basic commercial rule still holds — brand names sell better. It is easier to convince a purchaser of the merits of a known item.

I would like to quote from two prominent authorities — who are closely akin to the interests and needs of both publicly-owned corporations and the financial community.

Importance of Security Analysis

G. Keith Funston, President of the New York Stock Exchange, in a forward to the American Management Association's excellent research study — "A Company Guide To Effective Stockholder Relations" — states: "One vital channel between corporate management and the public is the security analyst. The growth of financial analysis into an influential profession has been both a cause and an effect of the broadening base of security ownership.

"I know that the ownership base of industry will continue to grow, and I am confident that a well-planned program of stockholder relations—directed to the investing public through printed media, personal contacts and other channels and to the security analyst as manager of other people's funds—will play a decisive part in fostering that growth."

Edward T. McCormick, President of the American Stock Exchange, has also made many pertinent contributions to present-day thinking on this subject, such as: "To develop and expand as investors the lower and middle income groups in this country we must do a tremendous educational job. The securities business and industry generally has belatedly realized that our future financial health demands an effective public relations program. **This program must deliver to present and future stockholders and to security analysts and meaningful facts concerning individual companies and their role in our economy.** Only in this way will we effectively spread the equity investment gospel."

The techniques of financial public relations can be divided into two main categories. First is printed material and second is "in person contact."

Some printed material serves a dual audience and can be distributed with equal interest and effectiveness to both the financial community and stockholders, because the content has been specifically designed for professional and non-professional readers.

The foremost communication in this category is the functional Annual Report.

Other material in this group includes: annual meeting reports, interim earnings reports, reprint of speeches by company officials about their business, advertisements, product folders and copies of the company's "house organ."

Exclusively for the financial community are analytical studies; financial news releases; background data for articles in the financial and business press; and supplementary information for market letters and stock bulletins.

A third category of financial public relations material is particularly directed, by the nature of its content, to the stockholder and "unsophisticated" investor. Progressive proxy material, letters to new stockholders, explanatory stockholder communications and informative dividend enclosures are some examples.

We at Aeroquip utilize each of these written media of communication regularly throughout the year, and with noteworthy results.

Essential to a successful financial public relations program is regular "in person" contact with those groups already referred to as comprising the financial community. Periodic visits should be made by company officials and the company's financial public relations representatives with the aim of stimulating interest in the company's affairs.

Mention has already been made about providing security analysts and brokers with supplementary information for stock reports and market letters.

Business and financial newspapers and publications are always interested in possible news stories. Personal contact enables management to determine what the editors are looking for at the moment and appropriate material can be supplied which helps appreciably in the preparation of a story. A financial public relations representative makes available detailed information, answers questions, checks the accuracy of data and arranges for visits with company officials to discuss operations.

"In person" contact work should place emphasis on meetings between officers of the company and leading members of the financial community. These informal gatherings are most effective in bringing about a closer, more detailed understanding of the company and its management. Beneficial personal relationships can be achieved by arranging plant tours for representatives of the financial community and members of the press.

Constant contact with the statistical and research services insures the accuracy and completeness of the facts and figures which these organizations distribute of their subscribers. It also serves to draw their attention to the company's securities with a view toward special write-ups and possible recommendations.

Contact With Financial and Business Groups

Perhaps the most important personal contact which can be made is management's appearance before financial and business groups. Such contacts are of considerable importance in acquainting a very influential audience with the company's affairs. Foremost of these groups are the various regional organizations of The National Federation of Financial Analysts Societies.

I recently had the opportunity to find out what other companies have been doing in this field. A business associate of ours in the course of an extensive trip discussed financial public relations with several chief executives. His reports were most gratifying to us as it confirmed our experience and also indicated the soundness of our expenditure.

As an example, the president of a large steel corporation in the Pittsburgh area—which owing to its size has a completely internally-manned program — considered these activities "exceedingly valuable to all concerned—management, the financial community and stockholders alike." This company has spent considerable time and money to maintain good financial public relations.

The same held true for a medium-sized industrial manufacturer, which engages outside counsel to do its work. I was pleased to note in this instance that "the cost of our program is considered to be well worth the expense." Here again, specific examples were given to show the values of the program.

The worth of a financial public relations program must be able to show that benefits derived can be measured in terms of dollars and cents.

In weighing the value of a financial community and stockholder relations program, consideration should be given to the contribution made by these activities to the worth of the security holder's investment. **By measuring this in terms of the number of shares oustanding, you have a practical gauge with which to evaluate the benefits of a financial public relations program as against its cost.**

Professional Counsel

Aeroquip has had such an active program since 1951. During this time, we have utilized the assistance of qualified professional counsel. We have retained these specialized services in the same way that we have always engaged competent consultants to help us when specific need arises, such as legal counsel, tax specialists, patent attorneys and engineering consultants.

The annual additional cost of our well rounded program on a per share basis after taxes, which is a proper way to measure it, is but a little more than a penny per share each year. The results have had a value far in excess of this amount, and our stockholders endorse management on this point.

I also believe the many new friends which we have made in the financial community will share this view.

There are not many occasions when management has the pleasure of being complimented by the owners of the business. But at our last stockholder meeting, when 94.4% of the shares eligible to vote were in favor of management, it was very nice to hear a stockholder announce from the floor: "It seems to me they (meaning the management) show a commendable interest and a forthright understanding of the problems that face the company, both to produce fine management and sound shareholder relationships. This is the most enjoyable annual meeting I have ever attended and there is no hesitancy on the part of anyone to come out and answer questions that were asked." We are quite proud of that commendation and believe it means a great deal to the company.

To our mind, financial community and stockholder relations has been a worthwhile investment. I sincerely feel that the results which we have achieved can be shared by many other publicly-owned corporations. To overlook these benefits is perhaps ignoring a vital management responsibility.

"Duke" Hunters Have 35th Anniversary

Wellington Hunter

Mr. & Mrs. Wellington (Duke) Hunter on Christmas Day celebrated their 35th wedding anniversary. Mr. Hunter is proprietor of Wellington Hunter Associates, 15 Exchange Place, Jersey City, New Jersey.

Meehan With Cruttenden

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Willis J. Meehan has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Meehan in the past was with Republic Investment Company.

Continued from first page

As We See It

country" could not possibly hope to succeed without a seal, or something approaching a seal, at its borders. Other countries must be presumed to have a system of "planned economy" designed to suit their own needs, or else they, or some of them, must be willing to let nature take its course. In either event the "best laid schemes of mice and men" in the "one country" must go oft awry. A few dreamers have sought to avoid these incompatibilities by the advocacy of a system of planned economy not for "one country" but applied on a world-wide basis —not realizing, perhaps, that this fits neatly into the pattern of Kremlinism.

For our part, we firmly believe that mankind generally would be much better off with freedom both at home and abroad, leaving to natural forces the task of management, but nothing is to be gained by blinking the fact that we cannot have the one free and the other shackled. This is a fact that the New Dealers and the Fair Dealers have steadfastly failed or refused to recognize. They are proud of their bondage to the idea of national planning and extensive restrictions of business operations at home, and are equally loud in demanding greater freedom of competition for foreign made goods. Of course, these are generalizations to which exceptions appear from time to time. These followers of Roosevelt and Truman would see to it that their favored ox is not gored, but otherwise they would have encumbered American business to take on foreign competitors right and left.

Some Cases in Point

A few specific cases will serve to give concrete reality to this inconsistency. This modern urge to inject government into business has its roots deeper in the past than is often realized. Take agriculture as an example. Ordinary tariffs are of doubtful benefit to those farmers in this country who regularly and normally produce more than is sufficient for domestic consumption, but embargoes on obviously manufactured grounds have long been in effect in a number of cases. In more recent times various devices have been developed for preventing our farmers from feeling competition from abroad in the normal or natural way. Why is all this "necessary"? Are not our farmers as efficient as those of other countries? Are not our lands as productive? The explanation, or one of them, is simple. By various devices we have managed to keep far too large a proportion of our population in agriculture. One result is a vast over production which, in accord with political philosophies of the day, must be subsidized to keep the farmer happy. The consumer, meanwhile, is not permitted to enjoy the natural fruit of an abundant supply because it would add to the burdens of a paternalistic government.

Shipping is another classic example. Several decades have passed since restrictions upon the crews which might be used to operate American ships brought about a situation which made it difficult, if not impossible, for ships under the United States flag to compete with foreign operators. A long and sustained struggle, not so much to correct the underlying difficulty as to offset it with taxpayers' money, finally succeeded in giving effect to ship subsidies. The system has grown and expanded as the years have passed. The reason for it all is found, obviously, in our policy of permitting, even encouraging, wage and other conditions of work in this highly competitive field which are out of line with those of any other nation on the globe. Plainly, free and full competition in this area is not compatible with "national policy" in other directions.

All Through Industry

But since the advent of the New Deal in the middle '30s essentially the same set of conditions has arisen throughout most if not all of American industry. First of all, throughout most of these years there has been a conscious, studied effort to encourage and to develop a condition of inflation—by whatever more palatable name it may be called. This state of affairs has throughout been accompanied by a policy which strongly stimulated wage earners to exact the last farthing from the situation, often a farthing which could be exacted successfully only with the help of continued inflation and general support by law from government. At the same time, the net effect of the unionism which was thus nurtured has definitely stood in the way of further advance in what is known these days as "productivity," that is, output per man hour. On top of this comes continuous demand for shorter and shorter work weeks—which further reduces output per man week, which is, after all, the real test of competitive ability.

Various other governmental policies which reduce the capacity of the businessman in this country to compete with foreign producers either here or in the neutral markets of the world exist, but space requires some limitation of specifications. At any rate, the situation has now reached the stage where actual cost of production in many countries is less than here—thanks in part to strictly up-to-date factories built abroad with American taxpayers' money. Of course, we should not expect to have lower costs than foreigners in all products, but our producers certainly have legitimate complaint when costs generally are higher here by reason of governmental interference and restrictions.

The answer is obviously not to be found in building Chinese walls around our borders, but neither is it to be sought in simply removing trade barriers leaving the American producer to carry heavy socialistically created burdens.

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Municipal Capital Outlays— A Force in Economic Stability

positive role in helping to maintain a high level of economic activity. Men and women in all walks of life, and in both of our political parties, now generally agree that economic storms of inflation and depression must not be left to run their own course. What we debate nowadays is not the need for controlling business cycles, but rather the nature of governmental action, its timing, and its extent."

Governmental action in controlling business cycles may take a number of forms. The first line of defense against a recession is the complex of built-in stabilizers which automatically cushion the effects of an initial decline in total spending. For example, when businessmen start to reduce inventories, as they did between the second quarter of 1953 and the third quarter of 1954, they reduce their orders to manufacturers, and workers are laid off. Within a few months many men and women lost their jobs, and many others were employed only part time. But the disposable income of these workers, and therefore, the expenditures which they could make for consumers' goods did not decline as much as their pay fell, mainly because they soon began to collect unemployment insurance, but also because a part of their pay had been withheld to pay income taxes. When the pay stopped, the taxes could no longer be withheld; and in this way the government absorbed a part of the impact of reduced business spending. So, while total personal income derived from production fell at an annual rate of about $2 billion between July 1953 and July 1954, social security benefits increased at a rate of about $2 billion, and tax payments fell at the rate of another billion.

Another stabilizer in our Federal tax structure is the corporation income tax. When corporate profits declined at an annual rate of about $7½ billion between the second quarter of 1953 and the second quarter of 1954, the tax liability of corporations fell by about $4 billion, merely as a result of this decline, and quite apart fom any change in the tax rate. Consequently, the sums available for dividend payments were reduced less than one-half as much as corporate profits fell; and the record shows that dividend payments were actually $300 million higher during the second quarter of 1954 than they were during the second quarter of 1953.

The government's second line of defense against a recession is monetary policy. The central bank, by easing credit conditions, can stimulate both consumer and business spending. When interest rates fall, consumers find the terms under which they can finance the purchase of durable goods more attractive, and businessmen are encouraged to go into the long-term capital market for funds with which to purchase new equipment or expand their plants. It was to encourage such actions that the Federal Reserve Banks increased commercial banks' reserves and lowered reserve requirements between July 1953 and September 1954. At the same time, the Treasury undertook to do its own financing so as not to compete with private enterprise for long-term capital funds. The decline in interest rates since the summer of 1953 has been a major factor in the steady rise in new private residential construction during the past year.

If the automatic stabilizers and monetary policy are not enough to check a recession, the government's third line of defense is fiscal policy. It can undertake either to stimulate consumer or business spending by reducing taxes, or it can add directly to the stream of spending by increasing its own expenditures on goods and services. The choice of instruments depends to a considerable extent on the character of the recession itself. For example, spending on public works would not be appropriate under circumstances where private construction is continuing at high levels. If, as in 1953, one of the principal factors underlying the recession is an attempt on the part of businessmen to reduce inventories, the government can help by increasing the disposable income of individuals so as to increase total spending on consumers' goods, and to speed the process of bringing inventories into line with sales. On the other hand, if the decline in total effective demand is accompanied by a sharp decline in new private construction, the initiation of a public works program designed to stabilize the construction industry would be an effective way of checking the recession.

In summary, it is today generally accepted that government must take an active role in maintaining economic stability. Government must assume a major responsibility for the maintenance of total effective demand. It must do this by providing built-in stabilizers, by adopting appropriate monetary policies, and by using its taxing and spending powers. In the above discussion, I have mentioned some of the ways in which the government could combat a depression. If the problem was one of checking inflation, the government's responsibility would, of course, be to check total spending. In this situation the automatic stabilizers would help by drawing off a part of income payments to individuals so that disposable income would not rise as fast as income itself, and by taking a substantial part of rising corporate profits so that dividend payments will not rise as fast as profits. At the same time the government could tighten credit, and if necessary, increase tax rates and reduce expenditures.

III

When we say today that the government must assume a major share of the responsibility for maintaining economic stability, we are of course thinking primarily of the Federal Government. The control of economic fluctuations is clearly beyond the power of even the largest of our States and municipalities. The expenditures of the individual State and local governments represent only a small fraction of those of the Federal Government; their borrowing capacity is more limited; and they lack the power to create money. Furthermore, they have within their tax and spending structures fewer and weaker automatic stabilizers than the Federal Government has. The role of these governmental units in combating inflation and deflation must, therefore, be a supporting rather than a leading one. But even to play a supporting role requires better fiscal planning than we have been able to expect from many State and municipal governments in the past.

The first task of the local governments is to so manage their expenditures and receipts that they will not counteract efforts being made elsewhere in the economy to promote stability. This means particularly that they should avoid being placed in a position where they have to contract expenditures and raise taxes during a recession. In the face of a strong deflationary movement, most State and local governments have, in the past, found it necessary to contract at least their expenditures for new construction. For example, the new construction outlays from State and local funds, which averaged $2,104 million between 1925 and 1929, fell to $1,334 million in 1932, to $707 million in 1933, and reached a low of $616 million in 1935. This was fiscal perversity at its worst.

With good planning, it should be possible for most municipalities to maintain their new construction outlays during minor recessions. Those local governments which are able to finance at least a part of their public works outlays on a pay-as-you-go basis should have no difficulty in continuing these programs. Most of these governments rely on property taxes for the bulk of their revenues, and this tax is quite insensitive to changes in the level of the national income. Municipalities that depend to a considerable extent upon sales and income taxes will be confronted with sharper drops in their receipts at the onset of a recession. But these local governments should be able to absorb moderate reductions in receipts without having to cut-back their capital outlays if they have been farsighted enough during the boom years to set up reserves for just such contingencies. The high income elasticity of an income tax, and the somewhat less high income elasticity of a sales tax, make these sources of revenue particularly productive during periods of prosperity; and it is during such periods that the governments with these levies should be making provision for the proverbial rainy day.

But if we can say that with good planning, most municipalities should not have to cut back their new construction outlays during a mild recession, it should follow that with better planning, some if not many of these governmental units should be able to

pursue an even more postive contra-cyclical public works policy. This is the real challenge; but is it one which the local governments can meet? Some students of government are doubtful. In one recent study of this very problem it was stated that "there can be no blinking the fact that at the moment local units of government are as incapable of a high degree of advance planning, and of the great amount of local participation in choosing the purposes of stabilization expenditures at the local level as they were at the onset of the great depression. Although over the long period there appears to be growing interest in local planning, on the whole the State or local planning commission is a neglected Cinderella except when some serious crisis in local development turns rags into silk. But when the ball is over, this Cinderella returns home —and stays home. It is no exaggeration to say that the long-run results could be the demise of local government as an effective force in American society."[1]

What, then, does good local government planning for a counter-cyclical public works program require? It requires, first, a careful and complete assessment of local needs for public facilities. Second, it requires a continuing program of capital budgeting. And third, it calls for advance decisions concerning methods of financing.

Without a careful assessment of local needs, the money that is spent in combating a recession may be spend unwisely. Most municipalities today have sizable backlogs of needed public facilities. They need better streets, more and better schools, better and larger hospitals, and improvements and additions to their water and sewer systems. For the country as a whole these backlogs are so great that no foreseeable public works program can possibly catch up to them. The problem, then, is not one of finding something to do, but of deciding what should be done first. Each municipality has to review its own situation, and to rank its needs in the order of their urgency or desirability, and in terms of its expected growth.

Effective advance planning of public works requires some form of a capital budget. The United States Government is currently operating under a Presidential directive which, for the past 15 years, has required Federal agencies to formulate their plans six years in advance, to assign priorities, and to submit proposals to the Budget Bureau each year indicating among other things which of these projects they wish to start in that year, and how fast they desire to push them. Since these six-year programs have to be revised and brought up to date each year, the government departments have developed long-range perspectives which they did not have before. Furthermore, the Budget Bureau has had more time to review and analyze proposed projects. With the approval of these projects, and the preparation of the detailed plans for their execution, the government is in a position to move counter-cyclically with promptness and certainty.

Many cities and states also use capital budgets for their normal operations. This and the development of an increasing number of metropolitan and city planning groups should facilitate a rapid but orderly execution of any anticyclical public works program. But much remains to be done if such a program is to have maximum effectiveness. More municipalities need to accept the idea of the capital budget and to build their own construction programs around it; and a device is needed that will insure the continuity of planning during recessions. All too often, the first appropriation to be cut at the onset of a decline is the appropriation for architectural and engineering work on proposed new projects.

Financing may prove to be a serious stumbling block to the counter-cyclical public works programs of local governments unless plans are laid well in advance of the emergency. Various suggestions have been made of steps which these governments might take to finance accelerated outlays during a recession. Some have proposed the annual budgeting of larger amounts for capital improvements than the municipality will actually spend, the excess being put into a reserve fund for emergency use. Some municipalities were able to do this during the war, when they were unable to get the necessary materials for the construction of new schools, roads and hospitals. Under present circumstances and with the existing needs for such facilities, it would not be easy for most municipalities to follow this course of action.

Alternatively, it has been suggested that municipalities should build up their borrowing capacity during good times, so that they will have some reserve capacity to fall back on during recessions. In the case of cities which have already used up most of their borrowing capacity, this would mean that current capital outlays would have to be financed, at least in part, on a pay-as-you-go basis, and that outstanding debt would have to be retired faster than new debt was being incurred. In the case of cities which have unused borrowing capacity, it would mean financing out of current tax receipts projects which have customarily been financed through the sale of bonds. These two approaches are in substance not very different, although the latter would seem likely to be more acceptable to municipal taxpayers than the former. We have a notable example of a city that has tried the latter approach successfully in Milwaukee. Since 1943, that city has been able to construct over $170 million of capital improvements and to wind up this program with a debt of only $35 million.

In some states, where municipalities have been unable to finance such necessary facilities as school buildings within their legal debt limits, use has been made of lease-purchase contracts with a State authority. These contracts have made it possible for the local government to acquire a facility without having to finance its construction themselves. Some persons see in this device a method of financing certain types of public works during a recession. As a general rule, however, it costs more for a municipality to finance its capital improvements in this way than it does by direct borrowing. Consequently, it is doubtful whether local governments should be urged to resort to it. In many cases, lease-purchase contracts are being entered into only because of unrealistic debt limits which prevent municipalities from borrowing as much as they could if assessed valuations had risen as much as prices generally since the war. The adjustment of these limits would seem to be called for in any case; but it would be an important step in making it easier for local governments to finance an accelerated program of public works during a recession.

In the event of a prolonged recession, some form of Federal assistance would undoubtedly have to be extended if municipal outlays on new construction were to be kept up for long at their pre-depression levels, let alone at higher levels. I shall not attempt to discuss here how such Federal assistance would be apportioned, or what form it should take. These questions are related to the broader problem of intergovernmental fiscal relations which is being studied by a special Presidential Commission at the present time. Suffice it to say, however, that if the occasion did arise for the Federal Government to contribute to the financing of local public works, the effectiveness of its policies in stemming the recession would depend to a very great extent on how prepared the municipalities were with well-planned programs of projects that could be started at once.

IV

Under the Employment Act of 1946, Congress declared that it was "the responsibility of the Federal Government to use all practical means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, **and State and local governments**, to coordinate and utilize all its plans, functions and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing and seeking to work, **and to promote maximum employment, production and purchasing power."**

It is clear, then, that when Congress gave this important assignment to the Federal Government, it was aware that the success which the Federal authorities would achieve in carrying out their responsibilities under the Employment Act would depend in part on the extent to which they could count on the cooperation and assistance of the State and local governments. I have outlined for you this evening some of the things which local governments can do to help the Federal Government combat economic instability; and I have pointed out some of the specific steps which should be taken by these governments to increase the effectiveness of their contributions to this objective. But I do not want to leave you with the impression that I believe that economic stability and growth can be achieved by the actions of government alone, however important and helpful these actions may be when they are soundly conceived and skilfully executed. In closing, therefore, I should like to read you some lines from the closing section of the 1954 Economic Report of the President, which was transmitted to the Congress last January.

"The Government can greatly help to maintain prosperity. But it is well to recall the accumulated experience of generations which has taught us that no government can of itself create real and lasting prosperity. A thriving economy depends fundamentally on the enterprise of millions of individuals, acting in their own interests and in the interests of their families and communities. The American people are highly skilled, imaginative, enterprising, and forward-looking. The best service that the government can render to our economy, besides helping to maintain stability and insuring a floor of protection for the population, is therefore to create an environment in which men are eager to make new jobs, to acquire new tools of production, to improve or scrap the old ones, design new products and develop new markets, increase efficiency all around, and thus be able and willing to pay higher wages and provide better working conditions. The Federal Government is fostering and will continue to foster this kind of environment."

1 Robert A. Dahl and Charles E. Lindblom, "Variation in Public Expenditure" in "Income Stabilization for a Developing Democracy," Max F. Millikan, Editor, Yale University Press, 1953, p. 393.

Securities Salesman's Corner

By JOHN DUTTON

An Effective Way to Sell Securities

The firm of H. L. Robbins & Co. Inc., 40 Pearl St., Worcester, Mass., recently used a full page advertisement in the "Daily Telegram" of that city to offer American Telephone & Telegraph common stock to savers and investors in their community. Not only was the ad unusual in size, but the copy and layout were also of such a striking nature that readers could not pass it by without at least discovering that they could obtain 5% on their savings through a purchase of shares in the American Telephone & Telegraph Company. Instead of the usual black type on the white page the copy was white on gray.

Advertisement Directed Toward Savers and Investors

People who would be interested in 5% on their savings are definitely goods prospects for investment type securities, and leads produced from this type of advertising should be productive if properly followed. The ad began with the heading, "Your Savings Can Earn You a Return of Over 5%." Note the combination of the idea of savings with an indicated income return which is about twice that obtainable on many forms of savings plans available to the general public today. Not only is the Telephone company stock known to millions of people who are now investors in securities, it is also not unfamiliar to those who have been using other forms of investment that provide a much smaller income return and who may be looking around for a method of increasing the earning power of their savings.

Stability Is Unquestioned

For those who have not bought stocks for those who are clinging to the idea that there is safety in dollars greater than that available in any other form of investment, it takes a bit of urging and considerable convincing to gain acceptance of the idea that possibly other forms of investment can, not only bring a greater income return, but also sufficient assurance that their savings will not be dissipated if they move some of their dollars into another form of investment. This advertisement stressed the record of A. T. & T. with such statements as these:

Total assets over $10 billion—(what else offers larger capital resources?)

Same dividend for past 32 years—(that takes us back through the roaring '20s, the depression '30s, World Was II and the Korean War).

Dividends payable Jan. 15, April 15, July 15, Oct. 15—(four times a year).

600,000 employees — (a great army of employed Americans all contributing to the earnings and growth of this vast organization).

High quality investment rating—(ask any banker, or competent investment authority, the answer must be YES).

One family out of every 45 in the United States a shareholder—(1,200,000 stockholders are also receiving these more generous income checks every three months; why not join them and obtain some of these benefits too?).

Rising Living Costs More Income for You

Quoting again, "With living costs and taxes now as high as any time in our history, here then, is a way to increase your savings income by investing your surplus funds in the shares of this multi-billion dollar company. You can buy as many or as few shares as you wish." This is the kind of copy that anyone can understand. It is financial advertising that is down to earth and it talks to the average person on his level about the things which are on his mind today. I see no reason why any securities firm should try to sell statistics to the investing public when they wish to buy MORE INCOME for their savings and also obtain a certain peace of mind assures them their investment with not be dissipated after it has been acquired. All people want is income and security for their savings. I am not talking about speculators, of course.

The advertisement carried a coupon highlighted by two bold arrows pointing toward it from each side of the page. And at the bottom of the page under the signature mention was made that the firm's office was open on Wednesday evenings till 9 p.m., and on Saturdays to 1 p.m. Certainly this is advertising that combines the dual objectives of good institutional copy with that of obtaining qualified inquiries and leads for the sales organization. When you advertise quality stocks such as Telephone you are in good company. When you use a full page to do it you are going to tell your story to a great many investors. And when you do it as well as this firm, you must reap a harvest that will be most gratifying. Let's have more investors in A. T. & T. and all the other great American corporations. And the way to do it is to tell the people in language they can understand.

HAPPY NEW YEAR!

Edward A. Viner Co. To Be Corporation

The partnership of Edward A. Viner & Co., 46 West 55th Street, New York City, members of the New York Stock Exchange, will be dissolved on Dec. 31 and a new member corporation will be formed as of Jan. 1. Officers will be Edward A. Viner, member of the Exchange, President; J. Randolph Grymes, Jr., member of the Exchange; Phillip Goos, Ely Margolis, and James J. Viner, Vice-Presidents; William J. Wobbkind, Secretary-Treasurer.

Robinson & Co. to Be Formed in Phila.

PHILADELPHIA, Pa. — Robinson & Co., Inc., members of the New York Stock Exchange, will be formed with offices at 123 South Broad St., effective Jan. 6. Officers will be Robert Robinson, member of the Philadelphia-Baltimore Stock Exchange, President and Treasurer, and Henry B. Robinson, member of the New York Stock Exchange, Secretary.

With F. S. Smithers

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Raymond J. Doyle, Jr. is now with F. S. Smithers & Co., 41 Sutter Street. He was formerly with Shuman, Agnew & Co.

Joins Witter Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard A. Chapman has joined the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Continued from page 4

The State of Trade and Industry

yet the steel industry remained sound and raised prices an average of $3 a ton or 2.5%.

One of the reasons why the steel production decline was not felt more keenly is that 1954 is being compared with the record year of 1953. While 1954 dropped, it started down from such a high level that it could fall and still be respectable. When the final ton of the year is poured this week, the 1954 output of steel for ingots and castings will total about 88,000,000 net tons, a figure which puts this year among the eight largest in history.

The steel industry has built up so much strength that it can make a good production record with one hand tied behind it. It coasted into one of its eight largest years this year, using only 70.7% of its capacity. It could use so little of its capacity and turn out so much steel because its capacity was larger than ever—124,330,410 net tons.

One of the things that moderated the effect of the decline in steel ingot production was the high level of steel consumption. It ran 14% above output. Consumers drew from inventory.

Consumption of finished steel totaled around 73,000,000 tons in 1954. This was only 9% below 1953 mill shipments of finished steel, compared with a drop of 21% in ingot output.

Even though 1954 was not a record year for the steel industry, it displayed something more healthful and encouraging than record 1953. After the first half, 1953 production went downhill. In contrast, 1954 ran along low but level in the first half and then went upward in the last half.

Sensing that steel production was in only a temporary lull, steel industry executives avoided panic early this year and sustained their price structure. Some economic analysts say this solidity in steel pricing prevented a general demoralization of business. Deep price cuts would not have sold any more steel but would have weakened the public's confidence in the country's economy, these analysts contend.

Solidity in the steel market did not prevent competitive adjustments in pricing. They went on all year, states this trade paper.

The competitive spirit that has been resharpened in the steel industry will keep steel production from dropping as far this holiday season as it did a year ago. Now there's considerable business to be had, and each company is going after its share, "Steel" concludes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 77.4% of capacity for the week beginning Dec. 27, 1954, equivalent to 1,846,000 tons of ingots and steel for castings as compared with 72.4% (revised) and 1,726,000 tons a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 81.4% and production 1,941,000 tons. A year ago the actual weekly production was placed at 1,706,000 tons or 75.7%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,473 tons as of Jan. 1, 1953.

Electric Output Eases From All-Time High Record of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 25, 1954, was estimated at 9,400,000,000 kwh. (preliminary figure), according to the Edison Electric Institute. The above figure represented a decline from the new all-time high record established in the preceding week.

This week's output constituted a decrease of 509,000,000 kwh. below that of the previous week but an increase of 1,226,000,000 kwh., or 15.0% over the comparable 1953 week and 1,850,000,000 kwh. over the like week in 1952.

Car Holdings Drop Further to 1.8% Under Prior Week

Loadings of revenue freight for the week ended Dec. 18, 1954, decreased 11,660 cars or 1.8% below the preceding week, according to the Association of American Railroads.

Loadings totaled 641,871 cars, an increase of 23,437 cars or 3.8% above the corresponding 1953 week, but a decrease of 68,519 cars or 9.6% below the corresponding week in 1952.

U. S. Auto Output Marked By Declines In Short Work Week

The automobile industry for the latest week, ended Dec. 24, 1954, according to "Ward's Automotive Reports," assembled an estimated 123,272 cars, compared with 151,924 (revised) in the previous week. The past week's production total of cars and trucks amounted to 141,563 units, a decrease below the preceding week's output of 32,270 units, states "Ward's." In the like week of 1953 85,259 units were turned out.

Last week, the agency reported there were 18,291 trucks made in this country, as against 21,909 (revised) in the previous week and 17,951 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 4,850 cars and 608 trucks last week, against 5,337 cars and 696 trucks in the preceding week and 6,049 cars and 939 trucks in the comparable 1953 week.

Business Failures Rise for Week and Greatly Exceed Those of a Year Ago

Commercial and industrial failures increased to 213 in the week ended Dec. 23 from 208 in the preceding week, reported Dun & Bradstreet, Inc. Casualties were considerably heavier than a year ago when 162 occurred or in 1952 when there were 95, but they remained 14% below the prewar toll of 249 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 172 of the week's failures, compared with 173 in the previous week and 139 last year. An upturn also appeared among small casualties, those with liabilities under $5,000, which increased to 41 from 35 and exceeded their 1953 toll of 23. Eleven businesses failed with liabilities above $100,000, as compared with 19 a week ago.

Wholesale Food Price Index Reverses Downward Course

Following the sharp decline of a week ago, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose slightly to $6.75 on Dec. 21, from the previous figure of $6.74. It compared with $6.72 on the corresponding date a year ago, or a gain of 0.4%.

Moving upward in wholesale price last week were wheat, corn, rye, oats, cottenseed oil, eggs, steers, hogs and lambs. Lower were flour, barley, bellies, lard, butter, cheese, coffee and cocoa.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Shows Slight Gain In Latest Week

Reversing the downward trend of recent weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., advanced slightly last week to stand at 277.21 on Dec. 21. This contrasted with 275.93 a week previous, and with 271.94 on the corresponding date last year.

Following some liquidation and selling in the early part of the week, grain markets generally developed a firmer tone and finished with modest net gains for the week.

Bullish factors in wheat included a grant of $10,000,000 to India to buy American bread grains, a sharp drop in the Australian marketable wheat crop as compared with last year, and the absence of any indications of a real break in the drought conditions prevailing in the dry areas of the Southwest.

Corn developed a firmer tone in late dealings, reflecting a sharp decline in producer marketings. Oates showed independent strength, aided by smalled receipts and rumors that Turkey wanted substained quantities of feed grains. Trading in grain futures on the Chicago Board of Trade two weeks ago fell slightly to a daily average of 52,500,000 bushels, from 55,400,000 the week before, and compared with 50,200,000 in the like week a year ago.

Domestic raw sugar was steady to firm as the trade awaited announcement of quota allotments for 1955.

Spot coffee prices held steady under fairly good demand, prompted by the reopening of contract talks along the waterfront. Roasters' stocks of coffe on hand are said to be the lowest in five years. Cocoa turned weaker at the close, reflecting substantial arrivals of West African cocoa, as well at the continued slow manufacturer interests in the spot market. Lard prices worked lower as production and stocks increased. Livestock prices in the Chicago market were generally higher the past week, featured by 1954 highs for prime steers as the week closed.

Spot cotton prices gained some ground in the week following the overwhelming approval of cotton growers of next year's acreage restrictions. Some support was attracted by the recent improvement in textiles and some week-end price-fixing for domestic mill and foreign account.

The Bureau of the Census reported domestic consumption of cotton in the four-week November period at 703,697 bales, or slightly higher than trade expectations.

Daily average use of the staple last month totalled 36,087 bales, contrasted with 35,777 in October, and 35,127 in November last year. Net loan entries for the week ended December 10 were reported at 156,500 bales, bringing aggregate entries for the season through that date to 1,521,800 bales.

Trade Volume Advances Substantially Above Level of Prior Week and Year Ago

Christmas shopping continued to gather momentum in the period ended on Wednesday of last week, and the dollar volume of retail trade was considerably higher than in the same week a year ago.

Advance reports indicated that this year's sales during the period from Thanksgiving to Christmas will be slightly above the all-time high reached in 1952. The number of credit sales has expanded markedly.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 1 to 5% above the level of a year ago. Regional estimates varied from the corresponding 1953 levels by the following percentages: Midwest —2 to +2: Northwest —1 to +3; New England 0 to +4; South and Pacific Coast +1 to +5; East and Southwest +2 to +6.

While most household goods were in better demand than in past weeks, interest continued to focus on relatively small purchases such as decorative items, china, glassware, lamps, tables and chairs. Spending for radios, phonographs, records and sheet music improved. More toys were bought than last Christmas.

While the demand for television sets continued strong, there were few calls for heavy appliances. Sales of new cars were high.

A pre-Christmas lull settled over many wholesale markets in the period ended on Wednesday of last week, but buying was at a significantly higher level than last year at this time. Particular improvement was noted the past week in the ordering of furniture and heavy appliances.

Department store sales on a country-wide basis at taken from the Federal Reserve Board's index for the week ended Dec. 18, 1954 advanced 3% from the like period last year. In the preceding week, Dec. 11, 1954, an increase of 4% was registered from that of the similar period in 1953, and for the four weeks ended Dec. 18, 1954, an increase of 2% was recorded. For the period Jan. 1 to Dec. 18, 1954, a loss of 1% was registered from that of the 1953 period.

Retail trade volume in the final week before Christmas, according to trade observers, registered gains of 15 to 20% above the level of a year ago. An extra shopping day and clear cold weather accounted in part for the good showing.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Dec. 18, 1954, registered a decrease of 1% below the like period of last year. In the preceding week, Dec. 11, 1954, an advance of 5% was reported from that of th similar week in 1953, while for the four weeks ended Dec. 18, 1954, an increase of 2% was reported. For the period Jan. 1 to Dec. 18, 1954, the index advanced 1% from that of the 1953 period.

Halle & Stieglitz 65th Anniversary

Halle & Stieglitz, 52 Wall St., New York City, members of the New York Stock Exchange and other leading securities and commodity exchanges, observed on Dec. 29, 1954 the 65th anniversary of the founding of the firm. A dinner commemorating the event was held at the Waldorf-Astoria Hotel when the firm was host to its employees, among whom were 23 employees and five partners who comprise the 25 Year Club, as of this date.

Since the founding of the investment house in December, 1889, a member of the Halle family has been associated continuously and actively in the management of the partnership of Halle & Stieglitz. Stanley J. Halle, currently senior partner, is the son of Jacques S. Halle, one of the original founders of the firm.

In addition to their commission business, Halle & Stieglitz are engaged in investment banking activities and are members of the Investment Bankers Association of America. The firm also has extensive connections and correspondents in London, Paris, Zurich, Geneva, Amsterdam and other continental financial centers.

Braun, Bosworth Co. Elect Officers

TOLEDO, Ohio—Announcement is made by William M. Adams, President of the municipal bond firm of Braun, Bosworth & Co., Inc., of the election, at its annual meeting, of Merle J. Bowyer of Detroit as Vice-President. Simultaneously Walter M. Braun was re-elected Chairman of the Board, William M. Adams, President, Clifton A. Hickins, Senior Vice-President, William H. Hammond, Vice-President, Franklin L. Schroeder, Vice-President and Secretary and Norman J. Fields, Treasurer.

Mr. Bowyer became associated with the Detroit office of Braun, Bosworth & Co., Inc. in 1949, handling Michigan syndicate and wholesale affairs. He started in the investment business in 1928 in Cleveland, and joined the Detroit office of Paine, Webber, Jackson & Curtis in 1937 as a municipal specialist, later becoming Manager of the Investment Department in Detroit. He is a past Chairman of the Board of Trustees of the Municipal Advisory Council of Michigan and presently a member of the Board. He is currently Chairman of the Municipal Securities Committee of the Michigan Group, IBA, and formerly a member of the executive committee of the Michigan Group. He also served as a member of the Board of Directors of the Bond Club of Detroit.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange the following: Paulen E. Burke, Burke & MacDonald, Inc., Kansas City, Mo.; William M. Dunn, W. M. Dunn & Co., DeKalb, Ill.; John E. Joseph, John E. Joseph & Co., Cincinnati, Ohio; E. Cummings Parker, Blair & Co., Inc., Chicago, Ill.; Arthur C. Sacco, Chicago, Ill.

Two With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Benjamin J. Bernhardt, Jr. and Roy S. Reed have become associated with Bache & Co., 229 East Wisconsin Avenue. Mr. Reed was formerly with the Milwaukee Company and prior thereto was with Swift, Henke & Co. and First National Bank of Chicago.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 2	§77.4	*72.4	81.4	75.7
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 2	§1,846,000	*1,726,000	1,941,000	1,706,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 17	6,375,300	*6,321,200	6,264,950	6,248,100
Crude runs to stills—daily average (bbls.)	Dec. 17	¶7,226,000	7,165,000	7,016,000	6,918,000
Gasoline output (bbls.)	Dec. 17	24,478,000	24,589,000	23,525,000	23,555,000
Kerosene output (bbls.)	Dec. 17	2,500,000	2,685,000	2,485,000	2,414,000
Distillate fuel oil output (bbls.)	Dec. 17	11,587,000	10,777,000	11,121,000	10,157,000
Residual fuel oil output (bbls.)	Dec. 17	7,818,000	7,880,000	8,027,000	8,281,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 17	151,778,000	150,653,000	147,224,000	151,490,000
Kerosene (bbls.) at	Dec. 17	31,936,000	34,210,000	36,155,000	31,945,000
Distillate fuel oil (bbls.) at	Dec. 17	118,082,000	124,067,000	135,353,000	123,214,000
Residual fuel oil (bbls.) at	Dec. 17	52,265,000	52,803,000	55,872,000	49,975,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 18	641,871	653,531	697,346	618,434
Revenue freight received from connections (no. of cars)	Dec. 18	612,748	605,204	611,782	586,94[illegible]
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 23	$324,479,000	[illegible]	$254,172,000	$226,520,000
Private construction	Dec. 23	194,561,000	[illegible]	164,510,000	64,191,000
Public construction	Dec. 23	129,918,000	[illegible]	89,662,000	162,329,000
State and municipal	Dec. 23	98,596,000	105,309,000	75,967,000	125,313,000
Federal	Dec. 23	31,322,000	[illegible]	13,695,000	37,016,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 18	9,000,000	8,780,000	8,970,000	8,503,000
Pennsylvania anthracite (tons)	Dec. 18	688,000	[illegible]	625,000	532,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 18	240	*224	134	234
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 25	‡9,400,000	9,902,000	9,087,000	8,174,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 23	213	208	226	162
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 21	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Dec. 21	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Dec. 21	$32.83	$32.00	$32.83	$30.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 22	29.700c	29.700c	29.700c	29.675c
Export refinery at	Dec. 22	31.750c	31.050c	32.375c	29.200c
Straits tin (New York) at	Dec. 22	86.500c	89.250c	90.750c	84.500c
Lead (New York) at	Dec. 22	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Dec. 22	14.800c	14.800c	14.800c	13.300c
Zinc (East St. Louis) at	Dec. 22	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 28	98.83	98.73	99.13	96.36
Average corporate	Dec. 28	110.52	110.52	110.70	106.04
Aaa	Dec. 28	114.66	114.85	115.43	110.88
Aa	Dec. 28	112.37	112.37	112.56	107.98
A	Dec. 28	110.34	110.52	110.52	105.86
Baa	Dec. 28	105.00	105.00	105.00	100.16
Railroad Group	Dec. 28	108.70	108.70	109.06	103.80
Public Utilities Group	Dec. 28	111.07	111.25	111.25	106.56
Industrials Group	Dec. 28	111.81	111.31	112.00	107.98
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 28	2.58	2.59	2.56	2.76
Average corporate	Dec. 28	3.14	3.14	3.13	3.39
Aaa	Dec. 28	2.92	2.91	2.88	3.12
Aa	Dec. 28	3.04	3.04	3.03	3.23
A	Dec. 28	3.15	3.14	3.14	3.40
Baa	Dec. 28	3.45	3.45	3.45	3.74
Railroad Group	Dec. 28	3.24	3.24	3.22	3.52
Public Utilities Group	Dec. 28	3.11	3.10	3.10	3.36
Industrials Group	Dec. 28	3.07	3.07	3.06	3.28
MOODY'S COMMODITY INDEX	Dec. 28	413.4	410.2	413.2	415.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 18	208,891	262,344	214,944	212,033
Production (tons)	Dec. 18	252,701	258,595	257,148	241,648
Percentage of activity	Dec. 18	92	94	94	93
Unfilled orders (tons) at end of period	Dec. 18	349,727	398,913	389,624	371,487
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 24	106.78	106.79	106.43	106.92
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Dec. 11	1,412,931	1,334,197	1,287,125	720,666
Dollar value	Dec. 11	$67,572,730	$65,032,021	$62,232,710	$32,173,637
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Dec. 11	1,492,485	1,491,362	1,412,954	781,875
Customers' short sales	Dec. 11	10,131	9,770	9,383	4,982
Customers' other sales	Dec. 11	1,482,354	1,481,592	1,403,571	776,893
Dollar value	Dec. 11	$65,742,603	$67,413,481	$62,650,089	$30,113,115
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 11	468,123	512,870	464,100	268,370
Short sales	Dec. 11	------	------	------	------
Other sales	Dec. 11	468,123	512,870	464,100	268,370
Round-lot purchases by dealers—					
Number of shares	Dec. 11	387,730	361,420	380,050	223,610
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Dec. 4	666,980	502,940	540,980	334,630
Other sales	Dec. 4	16,828,770	13,825,700	10,399,490	8,551,500
Total sales	Dec. 4	17,495,750	14,328,640	10,940,470	8,886,130
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 4	2,076,330	1,579,430	1,384,260	896,470
Short sales	Dec. 4	376,020	295,180	300,030	147,950
Other sales	Dec. 4	1,708,920	1,236,200	1,122,600	759,360
Total sales	Dec. 4	2,084,940	1,591,380	1,422,630	907,310
Other transactions initiated on the floor—					
Total purchases	Dec. 4	611,650	465,700	307,630	281,040
Short sales	Dec. 4	26,100	25,420	31,800	15,700
Other sales	Dec. 4	593,950	409,010	274,960	261,970
Total sales	Dec. 4	620,050	434,430	306,760	277,670
Other transactions initiated off the floor—					
Total purchases	Dec. 4	656,625	533,424	405,385	338,750
Short sales	Dec. 4	80,910	73,420	62,710	62,300
Other sales	Dec. 4	725,762	558,390	401,018	319,195
Total sales	Dec. 4	806,672	631,810	463,728	381,495
Total round-lot transactions for account of members—					
Total purchases	Dec. 4	3,344,605	2,578,564	2,097,275	1,516,260
Short sales	Dec. 4	483,030	394,020	394,540	225,950
Other sales	Dec. 4	3,028,632	2,263,600	1,798,578	1,340,525
Total sales	Dec. 4	3,511,662	2,657,620	2,193,118	1,566,475
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 21	109.4	109.4	109.5	110.1
Farm products	Dec. 21	90.6	90.2	91.9	95.4
Processed foods	Dec. 21	103.0	103.4	103.2	104.4
Meats	Dec. 21	83.8	84.9	84.1	87.0
All commodities other than farm and foods	Dec. 21	114.7	114.7	114.5	114.4

*Revised figure. ¶Includes 665,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons. ‡Preliminary figure.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE INC.—Month of November:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	80,119	67,047	75,891
Shipments (tons of 2,000 pounds)	97,598	90,415	68,685
Stocks at end of period (tons)	134,658	152,137	165,623
Unfilled orders at end of period (tons)	44,042	51,559	29,437
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of November:			
New England	$21,641,289	$28,337,036	$16,918,929
Middle Atlantic	74,879,340	64,117,040	78,063,194
South Atlantic	33,925,018	52,924,571	46,213,936
East Central	76,954,373	94,524,725	76,524,092
South Central	76,674,220	84,261,773	53,394,798
West Central	46,230,111	27,805,803	22,832,476
Mountain	20,187,682	23,882,183	15,162,625
Pacific	77,387,157	77,874,895	67,862,773
Total United States	$427,879,197	$463,728,026	$376,971,323
New York City	45,195,814	30,760,116	49,037,818
Outside New York City	382,683,383	432,967,910	327,934,005
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of November:			
Manufacturing number	179	189	175
Wholesale number	86	91	88
Retail number	490	414	389
Construction number	110	109	97
Commercial service number	68	68	66
Total number	933	871	815
Manufacturing liabilities	$8,099,000	$7,547,000	$13,568,000
Wholesale liabilities	5,578,000	2,923,000	4,836,000
Retail liabilities	10,466,000	11,845,000	11,083,000
Construction liabilities	6,859,000	4,733,000	4,621,000
Commercial service liabilities	4,065,000	1,952,000	2,687,000
Total liabilities	$35,067,000	$29,000,000	$36,795,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of October (millions of dollars):			
Manufacturing	$43,773	*$43,668	$47,044
Wholesale	11,706	*11,617	12,041
Retail	21,996	*22,405	22,720
Total	$77,475	*$77,796	$81,805
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of November (000's omitted)	$256,600	$594,200	$232,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Nov. 30 (000's omitted)	$769,000	$762,000	$582,000
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of November:			
Sales (average monthly), unadjusted	130	112	121
Sales (average daily), unadjusted	132	110	129
Sales (average daily), seasonally adjusted	105	105	102
Stocks, unadjusted	129	130	132
Stocks, seasonally adjusted	113	116	115
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of October:			
Death benefits	$151,957,000	$168,679,000	$155,700,000
Matured endowments	44,863,000	39,154,000	40,792,000
Disability payments	8,809,000	8,662,000	8,678,000
Annuity payments	35,818,000	35,608,000	33,732,000
Surrender values	66,690,000	67,885,000	60,153,000
Policy dividends	63,778,000	74,131,000	58,305,000
Total	$371,915,000	$394,119,000	$357,360,000
MANUFACTURERS INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of October (millions of dollars):			
Inventories—			
Durables	$24,372	*$24,120	$26,987
Nondurables	19,401	*19,548	20,057
Total	$43,773	*$43,668	$47,044
Sales	23,377	*23,626	25,010
MONEY IN CIRCULATION—TREASURY DEPT. As of Nov. 30 (000's omitted)	$30,492,000	$30,074,000	$30,807,000
NEW YORK STOCK EXCHANGE—As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,242,137	$2,130,872	$1,653,714
Credit extended to customers	39,785	35,567	31,159
Cash on hand and in banks in U. S.	338,521	329,750	298,109
Total of customers' free credit balances	972,323	923,796	682,244
Market value of listed shares	160,985,783	148,162,510	117,477,562
Market value of listed bonds	109,139,204	109,395,338	96,506,418
Member borrowings on U. S. Govt. issues	165,563	156,655	156,181
Member borrowings on other collateral	1,532,373	1,474,690	1,200,890
PERSONAL INCOME IN THE UNITED STATES (DEPARTMET OF COMMERCE)—Month of October (in billions):			
Total personal income	$285.9	*$286.6	$287.8
Wage and salary, receipts, total	195.8	*195.4	199.1
Commodity producing industries	82.7	*82.4	87.9
Distributing industries	52.7	52.9	52.5
Service industries	26.1	*25.9	25.0
Government	34.3	34.2	33.7
Less employee contributions for social insurance	4.6	*4.6	4.0
Other labor income	6.8	6.6	6.6
Proprietors and rental income	47.2	*48.8	48.0
Personal interest income and dividends	24.5	24.4	23.5
Total transfer payments	16.4	*16.0	14.6
Total non-agricultural income	271.8	*271.1	272.7
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-14 = 100—As of Nov. 15:			
Unadjusted—			
All farm products	244	242	249
Crops	244	243	234
Food grain	239	235	229
Feed grain and hay	199	204	195
Tobacco	438	441	433
Cotton	281	293	269
Fruit	206	218	205
Truck crops	237	191	218
Oil-bearing crops	277	275	263
Livestock and products	243	242	263
Meat animals	266	267	267
Dairy products	266	263	288
Poultry eggs	159	153	224

Railroad Securities

Boston & Maine

The mystery as to the reasons for the activity and strength in Boston & Maine stocks in past weeks was at least partially cleared up over last week-end. It was announced to the press that interests affiliated with the McGinnis management of New York, New Haven & Hartford had been heavy buyers and had achieved control. The present Boston & Maine management had no comment to make on this recent development but statements from the McGinnis interests seemed to indicate the possibility of another proxy fight at next year's annual meeting. It was further pointed out that there had been earlier rumors of possible affiliation of Boston & Maine with Delaware & Hudson, Delaware, Lackawanna & Western and Nickel Plate, and that under the circumstances it had been deemed advisable to protect New Haven's interests in the overall New England transportation picture by getting hold of the Boston & Maine first.

While there may well be some management changes in the Boston & Maine during the coming year, it is indicated that no merger of the property with New Haven is in prospect for the time being at least. If nothing else, present Massachusetts law would bar such a step and the Governor and legislative leaders of that state have repeatedly expressed themselves as opposed to any effort to change this legislation that has been on the books since 1907. In addition, most analysts feel that Boston & Maine's financial commitments (specifically the maturity of over $50 million of First Mortgage bonds in 1960) and the present extremely low level of earning power, would make it very difficult, if not impossible, to work out any feasible plan of exchange. Eventually these difficulties may be overcome but presumably not for some time to come.

Traditionally Boston & Maine has been a high cost operation, with the transportation ratio consistently well above the Class I railroads as a whole and a profit margin just as consistently among the narrowest in the industry. Large passenger deficits have been an important factor in this performance, and because of the compact nature of the service area the average haul on freight is relatively short. With terminal expenses to be absorbed, this short haul traffic is expensive to handle. A program designed to reduce the passenger business deficit has been instituted this year but so far has apparently not been effective. On top of the high cost nature of the operation, the traffic trend has been relatively less favorable than that of the industry generally. In part this has been attributable to particularly severe highway competition and in part to migration of industry out of New England.

For the 10 months through October, 1954 the traffic showing was not too bad, with gross revenues off less than 10% from a year earlier. However, the already high transportation ratio soared almost four points (in October alone it was up more than six points) and the overall operating ratio increased 5.2 points to 85.3%. Thus, even though Federal income taxes were cut nearly $1.5 million, income available for fixed charges declined 90% from the like 1953 interim and only about 20% of such charges for the period were earned. It is possible that year-end tax adjustments may result in considerable improvement on this showing for the year as a whole. Even at that, there appears to be little likelihood that there will be any earnings reported for the full year on the company's income 4½s, 1970. There is considerable question in the mind of many analysts as to whether interest will be paid on this issue next year if there are no earnings available out of 1954 operations.

HAPPY NEW YEAR!

Continued from page 3

Will Argentina's New Investment Law Attract Foreign Capital?

clear that there was no question that the constitution and laws of the country made certain reservations as to legal rights, but that this did not mean that the Government could not enter into contracts with private enterprise either on partnership or on a subcontract basis for the operation of any business activity.

In connection with a question on expropriation, the observation was made that expropriation can only take place in Argentina by means of a special law, and only when the welfare of the State so requires, and when prior compensation is arranged. From the standpoint of the record, it was pointed out that cases of expropriation had been rare in Argentina, and that in the case of the public utilities acquired by the Government in recent years conciliatory and satisfactory purchase arrangements were made with the owners.

The Foreign Investment Laws

The basic foreign investment law is known as "Ley Para Las Inversiones de Capital Extranjero," is identified as Law No. 14222, was passed by the Argentine Congress in Aug. 21, 1953, and put into effect by the President by Executive Order No. 15922, dated Aug. 26, 1953. Other laws and regulations dealing with foreign investments are (1) Decree No. 19111 of Oct. 14, 1953 regulating Law 14222; (2) Decree No. 14630, dated June 5, 1944, on the subject of Industrial Promotion; (3) Decree No. 25113, dated Dec. 24, 1953, outlining the procedures for seeking registration of patents and allied technical assistance as investments of foreign capital; and (4) Central Bank Circular No. 1890, dated Jan. 8, 1954, regulating the capitalization of unremitted profits on invesments which entered the country prior to Aug. 26, 1953.

The scheme and provisions of the foreign investment laws can be illustrated by the following questions in outline form:

How Are Foreign Investments To Be Controlled?

Foreign investments may enter the country freely, but if they are to receive the guaranties and benefits of Law 14222 all investments first must be approved and registered with the "Comision Interministerial de Inversiones Extranjeras," which functions out of the Secretariat for Economic Affairs. The Commission was created by article 12 of Decree No. 19111, is chaired by the Secretary of Economic Affairs, and has representatives from all the other ministries closely allied with economic, financial, commercial and defense affairs.

Which Investments Are Eligible?

The Government is attempting to improve economic conditions and industrialization through a five year economic plan. In general, all investments which fall within this plan are eligible.

The Interministerial Commission has indicated that it would consider investment applications for the following operations, among others:

(a) Production of pig iron and common and special steels, aluminum, and copper.

(b) Mining of asbestos, sulfur, copper, tin, iron, manganese, precious metals, beryl, mica, and wolfram.

(c) Production of acids and alkalis, sodium carbonate, caustic soda, carbon black, urea, phenol, acetic anhydride, various plastics, and organic and inorganic dyes.

(d) Manufacture of electrochemical products including silicon carbide, sodium cyanide, calcium cyanamide, graphite and electrodes, algae and devivatives, insecticides, and herbicides, solvents, refractory materials, X-ray and photographic film, optical glass, and pharamaceutical products, especially antibiotics and sulfa drugs.

(e) Manufacture of tractors, diesel motors, automotive vehicles, machine tools, refrigeration equipment, mining equipment, medical and scientific instruments, machinery for the production and transmission of electrical energy, telecommunications equipment, synthetic fibers, and textile containers using natural fibers.

(f) Fish canning and oil hydrogenation industries and the industrial treatment and impregnation of woods.

In What Form May Investment Be Made?

A foreign investment may be made by residents or non-residents of Argentina with funds in foreign currency entering through banking transfers and/or machinery, equipment tools, patents (as controlled by Decree No. 25113 of Dec. 24, 1955), and in general, physical and intangible property necessary for the specific and integral development of the activity to be undertaken by the investor, or that of the concern to which the investment will be applied, including expenses paid abroad under the heading of technical advise—whenever it is shown that the same are essential to establish and put the enterprise into operation — and the freights paid in foreign currency. A resident of Argentina, however, must prove that the funds or other assets being brought into the country are not of Argentine origin.

How to Apply for Investment Approval?

Investors, in making application to the Interministeral Commission, are to present a definite plan with all necessary specifications for the establishment of an operating enterprise. A complete outline of data which should be submitted by the prospective investor is contained in a publication of the Commission dated November, 1953 and entitled "Informaciones que Deberan Contener las Propuestas de Inversion de Capitales Extranjeros." After consideration by the Commission and issuance of a decree of approval, the investment is entered and registered in the National Registry for Foreign Capital Investments which is kept by the Central Bank of Argentina.

What Tests Must Investment Meet?

To be approved, the investment must create an efficient enterprise, contribute to governmental plans, and either earn or save foreign exchange. The installations of new plants or additions to those already in existence shall, if necessary, include raw materials and replacements. Physical assets must be new or in perfect condition and their value shall not exceed current quotations in export markets. The investment shall facilitate or at least not adversely affect the normal development of enterprises already in the country. The foreign capital must go into a business already incorporated in the country or into a new legally constituted corporation. The investor may be required to give guaranties of compliance, which may inclue the deposit of shares of stock.

What Profit Remittances and Capital Withdrawals?

Profits earned annually may be remitted to the country or origin of the investment two years after the investment has been registered. There are no limits on the profits which may be earned but remittance abroad of profits will not be permitted in excess of 8% per year (net of taxes imposed on profits or remittances) of the registered capital of the investment. Any excess of profits over the 8% margin can be used freely in Argentina. If the investor does not wish to remit the 8% profit margin in any particular year, he may transfer such profits to the original registered capital investment by making timely application to the Government. Such transfers are given the same status as to time and rights as the original capital investment. However, the investor is prohibited from transferring remittable profits after one year from the end of the accounting period in which they were realized, and he cannot accumulate, transfer or allocate profits between different accounting periods.

Profits may be transferred abroad without prior authorization. The certificate of Inscription of the National Registry for Foreign Capital Investments together with a certificate of proof of profits by a National Public Accountant is sufficient to make the transfer through a dealer authorized to deal in foreign exchange.

The principal of the registered capital investment may be taken out of the country after 10 years from the date of registration in quotas ranging from 10% to 20% a year, depending upon the arrangement made at the time the investment is authorized. However, this withdrawal of principal will be permitted only with the investors own funds, and only when it is shown that the continuity of the enterprise will not be disturbed.

What Exchange Rate Applicable?

The rate of exchange to be used in connection with foreign investments covered by Law 14222 is not fixed for the life of the investment. All transactions whether for incoming capital, remittances or withdrawals are to be made at the official free market rate prevailing at the time each transaction is made.

Other Benefits?

Article 12 of Law 1422 provides that at the time each foreign investment is authorized the Executive Power may grant in full or in part exemption of payment of customs duties for all the physical property forming part of the investment, and, if the new enterprise is considered by the Government to be of "advantage to national interest or welfare," apply in favor of the new enterprise the measures of promotion and protection envisaged by Law No. 13892 (Executive Order No. 14630 of June 5, 1944 (relating to subsidies and tariff protection.

What About Old Investments?

Article 23 of Decree No. 19111 of Oct. 14, 1953 implementing the new investment law, made some provision for the reinvestment of profits of foreign investments established in the country prior to the new law. Later Central Bank Circular No. 1890 (Jan. 8, 1954) spelled out in more detail the treatment to be given this subject. However, by Decree No. 10881 these regulations were held in abeyance and the time limit for the issuance of new regulations on the subject was extended to Nov. 1, 1954. In substance, the cancelled regulations called for recognition of certain percentages of profits made by old foreign investments between Aug. 28, 1950 and Aug. 26, 1953, not exceeding 5% of the capital investment, as new foreign investment capital, if such profits would be used for purposes and in enterprises contemplated in the new investment law.

Neither Law 14222 nor Decree 19111 gave authority for repatriation of the original capital (principal) of the old investment.

Conclusion

Apparently the Argentine Government believes that it is better to regulate the inflow and profit remittances of foreign investments in manageable amounts for which solutions can be found in current availabilities of exchange rather than to permit entrance to any and all investments without there being a likelihood of sufficient foreign exchange coverage for uncontrolled profit remittances.

The question for the new investor seems to be whether he can operate under these investment laws, especially the provision calling for 8% of investment net profit remittance limitation, and other business regulatory laws in Argentina. On the favorable side one can point to the market possibilities and the system of protection used for basic industries in Argentina. On a short-term basis, at least, a new enterprise is likely to benefit from such protection. Then there is the profits earning record of Argentine business which in the past few years has ranged from 16 to 23%, and higher, a rate comfortable enough to permit the weathering of labor wage increases, social security payments and the regulatory problems which business has to meet almost everywhere nowadays.

F. P. Lang & Co. to Act as Dealers Also

F. P. Lang & Co., 40 Wall Street, New York City, municipal bond brokerage firm, announced that Fred P. Lang, senior partner, will retire on Dec. 31, 1954 and that the business of the firm will be continued in slightly altered form by Mr. Lang's partners, Harold E. Johnson and John F. Hornbostel.

The firm name will be continued without change, and the firm henceforth will act as trader dealers in all tax free securities, specializing in revenue bonds.

Mr. Johnson joined F. P. Lang & Co. in 1930 prior to which he was with Barr & Schmeltzer, predecessor of Barr Bros. & Co., municipal bond dealers. Mr. Hornbostel became associated with the firm in 1932, after some years with A. B. Leach & Co., underwriters.

Mr. Lang will retain office space with F. P. Lang & Co., which he organized in 1930, to devote himself to personal business affairs.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aluminium Ltd. (1/10)
Dec. 16 filed a maximum of 921,923 shares of capital stock (no par) to be offered for subscription by stockholders of record Jan. 7, 1955 at rate of one new share for each 10 shares held; rights to expire on Jan. 31. **Price**—Not to exceed $46 (Canadian) per share. **Proceeds**—For Expansion program. **Dealer-Managers**—The First Boston Corp.; A. E. Ames & Co., Ltd.; Morgan Stanley & Co.; and White, Weld & Co.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and butresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

American Duchess Uranium & Oil Co.
Dec. 9 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For uranium and oil activities. **Office**—Judge Bldg., Salt Lake City, Utah. **Underwriter**—Northern Securities, Inc., Seattle, Wash.

American-Israel Paul Ehrlich Medical Institute, Inc., New York
Dec. 9 filed 195,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction and equipment of hospital and medical center at Ramat Gan, Israel. **Underwriter**—None. Haim Margalith, of New York City, is President.

● **American Steel & Pump Corp., N. Y. (1/13-14)**
Nov. 24 filed $3,000,000 of 4% income bonds, series A, due Dec. 1, 1994. **Price**—$618.75 per $1,000 bond. **Proceeds**—To pay $55,000 of 6% collateral income notes and $100,000 demand notes; to pay Federal income tax liabilities and for working capital, etc. **Underwriter**—A. K. Benkert & Co., Inc., New York.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

● **Ampex Corp., Redwood City., Calif.**
Dec. 2 filed $1,500,000 of convertible subordinated debentures due Nov. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—To redeem $635,000 of 10-year 6% debentures at par and to provide additional working capital. **Business**—Produces magnetic recording equipment. **Underwriters**—Blyth & Co., Inc. and Irving Lundborg & Co., both of San Francisco, Calif. **Offering**—Expected momentarily.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Appell Oil & Gas Corp., Alice, Texas
Dec. 1 (letter of notification) 8,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To selling stockholder. **Office**—Appell Bldg., Alice, Tex. **Underwriter**—R. V. Klein & Co., New York.

Arctic Uranium Mines Ltd.
Oct. 28 (Regulation "D") 1,500,000 shares of common stock (no par value). **Price**—20 cents per share. **Proceeds**—For general corporate purposes. **Office** — 411 Childs Bldg., Winnipeg, Manitoba, Canada. **Underwriter**—De Gaetano Securities Corp., New York.

Arizona Development Co., Phoenix, Ariz.
Dec. (letter of notification) 300,000 shares of common stock, series A, to be offered for subscription by holders of life insurance policies of Arizona Life Insurance Co. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office** — 427 Security Bldg., Phoenix, Ariz. **Underwriter**—Arizona Life Insurance Co.

Arizona Golconda Metals, Inc., Kingman, Ariz.
Dec. 7 (letter of notification) 292,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Baruch Brothers & Co., Inc., New York.

★ **Automatic Canteen Co. of America (1/27)**
Dec. 28 filed 97,481 shares of common stock (par $5) to be offered for subscription by stockholders of record on or about Jan. 27, 1955 on the basis of one new share for each six shares held; rights to subscribe on or about Feb. 14. **Price**—To be determined shortly before the making of the offer. **Proceeds**—Together with other funds, to purchase 262,500 shares of common stock of The Rowe Corp. **Underwriter** — Glore, Forgan & Co., New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 10 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

★ **Beacon Associates, Inc., Providence, R. I. (1/13)**
Dec. 23 filed $600,000 5¾% 15-year sinking fund subordinated debentures due Jan. 1, 1970. **Price** — 100% and accrued interest. **Proceeds**—To redeem 6% convertible subordinated debentures due Sept. 1, 1967 presently outstanding and for expansion program. **Underwriter**—G. H. Walker & Co., Providence, R. I.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo. Utah.

Big Red Uranium Co., Oklahoma City, Okla.
Deb. 6 (letter of notification) 2,940,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—917 First National Bank Bldg., Oklahoma City, Okla. **Underwriter**—Honnold & Co., Inc., same city.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office** — 705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Blue Canyon Uranium, Inc.
Nov. 29 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share.

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NEW ISSUE CALENDAR

December 31 (Friday)
Northern Chemical Industries, Inc. ..... Debentures
(White, Weld & Co.) $5,000,000
Northern Chemical Industries, Inc. ..... Class B
(White, Weld & Co.) 100,000 shares

January 3 (Monday)
Circle Air Industries, Inc. ..... Common
(Allen E. Beers Co.) $299,000

January 5 (Wednesday)
Southern Pacific Co. ..... Equip. Trust Ctfs.
(Bids noon EST) $8,910,000
Stylon Corp. ..... Common
(Gearhart & Otis, Inc.; White & Co.; and McCoy & Willard) 250,000 shares

January 6 (Thursday)
Marine Midland Corp. ..... Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.; Union Securities Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; and Granbery, Marache & Co.) $20,350,000
Pennsylvania RR. ..... Equip. Trust Ctfs.
(Bids noon EST) $6,810,000

January 7 (Friday)
Union Trust Co. of Maryland ..... Common
(Alex. Brown & Sons) 100,000 shares

January 10 (Monday)
Aluminium, Ltd. ..... Common
(The First Boston Corp.; A. E. Ames & Co., Ltd.; Morgan Stanley & Co.; and White, Weld & Co.) 921,923 shares
Bowl-Mor Co., Inc. ..... Preferred & Common
(Aetna Securities Corp.) $1,100,000
Consolidated Diesel Electric Corp. ..... Common
(Van Alstyne, Noel & Co.) $1,400,000
Duke Power Co. ..... Bonds
(Bids noon EST) $40,000,000
Seven-Up Bottling Co. of Los Angeles ..... Common
(Quincy Cass Associates) $642,428

January 11 (Tuesday)
Commonwealth Edison Co. ..... Bonds
(Bids 10:30 a.m. EST) $50,000,000
New York, Chicago & St. Louis RR. ..... Debentures
(Bids noon EST) $36,000,000
United Gas Corp. ..... Common
(Bids 3:45 p.m. EST) 170,000 shares

January 12 (Wednesday)
Duke Power Co. ..... Common
(Offering to stockholders—no underwriting) 218,737 shares
Public Service Electric & Gas Co. ..... Preferred
(Morgan Stanley & Co.; Drexel & Co.; and Glore Forgan & Co.) $25,000,000
Universal Major Corp. ..... Common
(Gearhart & Otis, Inc.) $150,000

January 13 (Thursday)
American Steel & Pump Corp. ..... Bonds
(A. K. Benkert & Co., Inc.) $3,000,000
Beacon Associates, Inc. ..... Debentures
(G. H. Walker & Co.) $600,000
Missouri Pacific RR. ..... Equip. Trust Ctfs.
(Bids to be invited) $3,900,000
State Fire & Casualty Co. ..... Common
(Offering to stockholders—underwritten by A. M. Kidder & Co.) 125,000 shares

January 14 (Friday)
Citizens National Trust & Savings Bank of Los Angeles ..... Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $6,600,000
Green Mountain Uranium Corp. ..... Common
(Tellier & Co.) $300,000

January 17 (Monday)
Colonial Acceptance Corp. ..... Debentures
(Straus, Blosser & McDowell and Fairman, Harris & Co., Inc.) $2,500,000
Duquesne Light Co. ..... Common
(Bids noon (EST) 450,000 shares
Imperial Minerals, Ltd. ..... Common
(Milton D. Blauner & Co., Inc.) $298,800
Income Fund of Boston, Inc. ..... Common
(Hayden, Stone & Co.) $8,000,000
Mid-Continent Uranium Corp. ..... Common
(General Investing Corp.) $625,000

January 18 (Tuesday)
New England Power Co. ..... Bonds
(Bids to be invited) $25,000,000
Northern Pacific Ry. ..... Equip. Trust Ctfs.
(Bids noon EST) $3,960,000

January 19 (Wednesday)
Food Mart, Inc. ..... Common
(Shearson, Hammill & Co.) 180,000 shares
General Homes, Inc. ..... Common
(S. D. Fuller & Co.) $1,500,000
Toledo Edison Co. ..... Preferred
(The First Boston Corp. and Collin, Norton & Co.) $10,000,000
Toledo Edison Co. ..... Common
(The First Boston Corp. and Collin, Norton & Co.) 400,000 shares

January 20 (Thursday)
Duquesne Light Co. ..... Preferred
(Bids 11 a.m. EST) $8,000,000
Hycon Mfg. Co. ..... Preferred
(Townsend, Graff & Co.) $1,200,000
Northeastern Steel Corp. ..... Stock
(Estabrook & Co.) $3,000,000

January 25 (Tuesday)
Consumers Power Co. ..... Bonds
(Bids 11 a.m. EST) $30,000,000
Rockland-Atlas National Bank ..... Common
(Offering to stockholders—underwritten by The First Boston Corp.) 37,500 shares
United States Plywood Corp. ..... Debentures
(Eastman, Dillon & Co.) $25,000,000

January 27 (Thursday)
Automatic Canteen Co. of America ..... Common
(Offering to stockholders—underwritten by Glore Forgan & Co.) 97,481 shares

February 1 (Tuesday)
Chesapeake & Potomac Telephone Co. of Baltimore City ..... Debentures
(Bids to be invited) $25,000,000

February 14 (Monday)
Dallas Power & Light Co. ..... Debentures
(Bids 11 a.m. EST) $7,000,000
Sheraton Corp. of America ..... Debentures
(Paine, Webber, Jackson & Curtis) $5,000,000

February 15 (Tuesday)
Kansas City Power & Light Co. ..... Bonds
(Bids to be invited) $16,000,000

February 23 (Wednesday)
Texas Electric Service Co. ..... Bonds
(Bids 11:30 a.m. EST) $17,000,000

March 15 (Tuesday)
Kansas Gas & Electric Co. ..... Bonds
(Bids to be invited) $10,000,000
Kansas Gas & Electric Co. ..... Preferred
(Bids to be invited) $6,000,000

April 15 (Friday)
Westpan Hydrocarbon Co. ..... Common
(May be Union Securities Corp.) 384,861 shares

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Proceeds—For mining activities. **Offices** — 1003 Continental Bank Bldg., Salt Lake City, Utah, and 618 Rood Ave., Grand Junction, Colo. **Underwriter** — James E. Reed Co., Reno, Nev.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

Bowl-Mor Co., Inc., Everett, Mass. (1/10)
Nov. 26 filed 200,000 shares of preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price** —$5.50 per unit. **Proceeds**—To carry machine leases and finance manufacturing operations. **Business**—Manufactures and distributes by lease and sale, a bowling-pin setting machine. **Underwriter**—Aetna Securities Corp., New York.

★ **Budget Finance Plan, Los Angeles, Calif.**
Dec. 17 (letter of notification) 28,000 shares of 60-cent convertible preferred stock (par $9). **Price**—To be established by closing price on American Stock Exchange on date of offer. **Proceeds** — For additional working capital and loans to customers. **Underwriters**—Crutteden & Co., Chicago, Ill.; Lester, Ryons & Co., Los Angeles, Calif.; and Reynolds & Co., New York.

★ **California Cold Storage & Distributing Co.**
Dec. 14 (letter of notification) 1,500 shares of common stock. **Price**—At market (estimated at $25 per share). **Proceeds**—To selling stockholder. **Office**—825 Imperial Ave., San Diego 12, Calif. **Underwriter**—C. L. Wells & Co., Pasadena, Calif.

California Modular Homes, Inc.
Dec. 9 (letter of notification) 196,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For additions to plant and equipment and working capital. **Office** — 3808 22nd St., East Del Paso Heights, Calif. **Underwriter**—United Capital Co., Reno, Nev.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

★ **Canada General Fund (1954) Ltd., Toronto, Canada**
Dec. 27 filed 1,990,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass. **Investment Adviser** —Boston Management & Research Co., same city.

Canadian Petrofina, Ltd.
Dec. 20 filed 1,751,428 shares of non-cumulative participating preferred stock (par $10—Canadian) to be offered in exchange for shares of capital stock of Calvan Consolidated Oil & Gas Co., Ltd. at the rate of six preferred shares for each 17 Calvan shares. The offer is contingent to acceptance by not less than 51% of the outstanding Calvan stock. **Underwriter**—None.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. Price—At par (one cent per share). Proceeds —For exploration and development expenses. Office— 317 Main St., Grand Junction, Colo. Underwriter—Western Securities Corp., Salt Lake City, Utah.

● **Cascade Natural Gas Corp., Seattle, Wash.**
Oct. 27 (letter of notification) 23,355 shares of common stock (par $1) being offered for subscription by stockholders of record Nov. 30, 1954 on the basis of one new share for each 10 shares held; rights to expire on Jan. 3, 1955. **Price**—$6 per share. **Proceeds**—To repay bank loans and promissory notes. **Office** — Securities Bldg., Seattle, Wash. **Underwriters** — Blanchett, Hinton & Jones, Inc., Seattle, Wash., and First California Co., Los Angeles, Calif.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

● **Chesapeake Industries, Inc.**
Dec. 7 filed 750,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Office** — Washington, D. C. **Underwriter**—Peter Morgan & Co., New York. **Offering** —Expected some time in January.

Chesapeake Industries, Inc.
Oct. 15 filed 996,304 shares of common stock (par $1) and 33,818 shares of $4 cumulative preferred stock (par $10) being offered in exchange for preferred and common shares of Home & Foreign Securities Corp. and Oils & Industries, Inc., common shares of common stock of Intercontinental Holdings, Ltd. and Intercoast Petroleum Corp. and capital stock of Colonial Trust Co. The offer is subject to deposit of not less than 90% of the stock of Colonial and not less than 80% of the stock of the first three companies mentioned above. The offer will expire on Jan. 27.

★ **Chillicothe Telephone Co.**
Dec. 13 (letter of notification) 4,775 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$50 per share. **Proceeds**—For property additions. **Office**—58 East Maine St., Chillicothe, Ohio. **Underwriter**—None.

Circle Air Industries, Inc. (1/3)
Nov. 29 (letter of notification) 299,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — For machinery and equipment and working capital. **Name Change**—Company was formerly known as Paley Manufacturing Corp. **Office**—244 Herkimer Street, Brooklyn, N. Y. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

● **Colonial Acceptance Corp. (1/17-18)**
Dec. 20 filed $2,500,000 of 6% junior subordinated sinking fund debentures, series B, due Dec. 1, 1968, of which $1,529,550 principal amount will be offered in exchange for $1,390,500 of debentures due 1958 on the basis of $550 of new debentures for each $500 of debentures held. **Price**—At par. **Proceeds**—To retire junior subordinated sinking fund debentures which mature Dec. 1, 1958. **Underwriters**—Straus, Blosser & McDowell and Fairman, Harris & Co., Inc., both of Chicago, Ill.

Colorado Plateau Uranium Co.
Dec. 1 (letter of notification) 1,900,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** —For mining activities. **Office** — 824 Equitable Bldg., Denver 2, Colo. **Underwriter**—John L. Donahue, 430 16th St., Denver, Colo.

Commonwealth Edison Co. (1/11)
Dec. 16 filed $50,000,000 of sinking fund debentures due Oct. 1, 2004. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Bids**—To be received at office of company, 72 West Adams Street, Chicago 90, Ill., on or before 10:30 a.m. (EST) on Jan. 11.

★ **Community Hospital Association, Inc., Wickenburg, Ariz.**
Dec. 10 (letter of notification) $150,000 of 20-year 4½% first mortgage bonds due 1975. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds**—For construction and equipment of new hospital building. **Underwriter**—None.

Consolidated Diesel Electric Corp. (1/10)
Dec. 20 filed 350,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To selling stockholders. **Business**—Designs, engineers and produces specialized lines of aircraft servicing and testing equipment and electrical generating equipment. **Office**—Stamford, Conn. **Underwriter** — Van Alstyne, Noel & Co., New York.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. Proceeds—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Constellation Uranium Corp., Denver, Colo.
Oct. 11 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter** —Petroleum Finance Corp., Oklahoma City, Okla.

Consumers Cooperative Association, Kansas City, Mo.
Nov. 24 filed 80,000 shares of 5½% preferred stock, 20,000 shares of 4% second preferred stock and 40,000 shares of 2% third preferred stock (all three being "cumulative to the extent earned before patronage refunds"), together with $500,000 of subordinated certificates of indebtedness, 4½%—10 years, and $1,000,000 of subordinated certificates of indebtedness, 5½%—20 years. **Price** — For preferred — At par ($25 per share); and for certificates, at principal amount. **Proceeds**—To finance inventories and accounts receivable and to repay bank loans and certificates ahead of maturity. **Underwriter**—None. Statement effective Dec. 20.

★ **Consumers Ice & Supply Co.**
Dec. 21 (letter of notification) $300,000 of 6% 12-year registered debentures. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds** — For equipment, working capital, etc. **Office** — 9th and Water Sts., Lebanon, Pa. **Underwriter**—None.

★ **Consumers Power Co. (1/25)**
Dec. 28 filed $30,000,000 of first mortgage bonds to mature Jan. 1, 1990. **Price**—Expected to be not less favorable to the company than a 3¼% basis. **Proceeds**—For expansion and improvement program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids**—To be opened at 11 a.m. (EST) on Jan. 25 at office of Commonwealth Services Inc., 20 Pine St., New York, N. Y.

Contact Uranium, Mines, Inc., N. Y.
Dec. 7 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—100 West 42nd St., New York. **Underwriter**—Justin Steppler, Inc., New York.

★ **Continental Loan Co., Dallas, Tex.**
Dec. 22 (letter of notification) $150,000 of 4% 10-year debentures and 42,000 shares of common stock (par 10 cents) to be offered in units of $1,000 of debentures and 200 shares of stock; remaining 12,000 shares to be purchased by underwriter. **Price**—$1,400 per unit; and $2 per common share. **Proceeds**—To buy common stock of Budget and Mutual and for working capital. **Office**— 815 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter** —Securities Management Corp., same address.

Demars Engineering & Manufacturing Corp.
Dec. 9 (letter of notification) 40,000 shares of 6% non-cumulative participating preferred stock (par $1) and 40,000 warrants representing rights to purchase 4,000 additional shares of preferred stock (each warrant allows for the purchase of one-tenth of a preferred share). **Price**—$1 per unit consisting of one preferred share and one warrant. **Proceeds** — For additional machinery and equipment, to pay current liabilities and for working capital. **Office** — 360 Merrimac St., Lawrence, Mass. **Underwriter**—Jackson & Co., Boston, Mass.

★ **Denmark Telephone Co., Denmark, Me.**
Dec. 13 (letter of notification) 1,232 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For completion of the construction of the company's plant to dial system. **Underwriter**—None.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds** —For exploration and development expenses. **Office**— 524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**— Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah
Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—21 Main St., Petersen Bldg., Maob. Utah **Underwriter**—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

Duke Power Co. (1/12/55)
Dec. 3 filed 218,737 shares of common stock (no par), to be offered for subscription by common stockholders of record Jan. 12, 1955 on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire Jan. 28. **Price**—$40 per share. **Proceeds** —To repay bank loans and for new construction. **Underwriter**—None.

Duke Power Co. (1/10)
Dec. 3 filed $40,000,000 of first and refunding mortgage bonds due 1975. **Proceeds** — To redeem $35,000,000 of 3¾% bonds and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Bids**—Expected to be received up to noon (EST) on Jan. 10.

Duquesne Light Co. (1/17)
Dec. 21 filed 450,000 shares of common stock (par $10). **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp. and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Jan. 17, 1955.

Duquesne Light Co. (1/20)
Dec. 21 filed 160,000 shares of preferred stock (par $50). **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids** — Expected to be received up to 11 a.m. (EST) on Jan. 20, 1955.

★ **East Tennessee Water Corp.**
Dec. 20 (letter of notification) $160,000 of first mortgage 6% bonds dated Dec. 1, 1954. **Price** — At par (in denominations of $1,000 each). **Proceeds**—For purchase of real estate, capital improvements and contingencies. **Office**—306 E. Main St., Johnson City, Tenn. **Underwriter** —D. T. McKee Investment Co., Box 904, Bristol, Va.

● **Elco Corp., Philadelphia, Pa.**
Dec. 14 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For machinery and equipment and working capital. **Office**— M St. and Erie Ave., Philadelphia, Pa. **Underwriters**— S. D. Fuller & Co. and J. B. Boucher & Co., both of New York. **Offering**—Expected today (Dec. 30).

Electronics Investment Corp., San Diego, Calif.
Dec. 14 filed 2,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—For investment.

★ **Equitable Investor's Securities, Inc.**
Dec. 10 (letter of notification) 10,000 shares of class B stock (par $1). **Price**—$4 per share. **Proceeds**—For investments and operating expenses. **Office**—1072 30th St., N. W., Washington 7, D. C. **Underwriter**—None.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—506 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city

Exhibitors Film Financial Group, Inc., New York
Dec. 10 filed 100,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None. Samuel Pinanski, of Boston, Mass., President of American Theatres Corp., will be President of Exhibitors.

Farm & Home & Discount Co., Phoenix, Ariz.
Nov. 29 filed 320,000 shares of class A common stock (par 25 cents), 214,285 shares of class B common stock (par 35 cents) and 300,000 shares of class C common

ock (par 50 cents). **Price** — At par. **Proceeds** — For working capital. **Underwriter**—None.

Farm & Ranch Management Corp.
ec. 13 (letter of notification) $150,000 of series A cattle ebentures; $56,250 of series B debentures; $82,500 of eries C; and 385 shares of common stock (par $10). rice — At par. **Office** — 214 Royal Palm Way, Palm each, Fla. **Underwriter** — Anderson Cook Co., Inc., ame city.

Financial Credit Corp., New York
an. 29 filed 250,000 shares of 7% cumulative sinking und preferred stock. **Price—At par ($2 per share). Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

★ **First Investors Corp., New York**
Dec. 23 filed (amendment) $20,000,000 of periodic payment plans and single payment plans. **Proceeds**—For nvestment.

● **Food Mart, Inc., El Paso, Tex. (1/19)**
Dec. 21 filed 180,000 shares of common stock (par $2), of which 50,000 shares are to be offered by company and 130,000 shares by selling stockholders. **Price**—To be supplied by amendment (about $10-$11 per share). **Proceeds**—Together with other funds, to be used to redeem subordinated income debentures and to purchase capital stock of Del Norte Frozen Foods, Inc. **Underwriter**—Shearson, Hammill & Co., New York.

Foster Publications, Inc. (N. Y.)
Oct. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Business**—Publishes "Guide for Sport Fisherman." **Office**—165 Broadway, New York. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

Funeral Directors Manufacturing & Supply Co.
Nov. 5 filed 199,907 shares of common stock to be sold to customers. **Price**—At par ($100 per share). **Proceeds**—For capital expenditures and working capital and other general corporate purposes. **Office** — Louisville, Ky. **Underwriter**—None.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

Gem Uranium & Oil Co., Salt Lake City, Utah
Dec. 9 (letter of notification) 11,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For exploration and development of oil and uranium properties. **Office** — 414 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Utah Uranium Brokers, same city.

● **General Homes, Inc., Huntington Station, L. I. N. Y. (1/19)**
Dec. 15 filed 300,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For plant expansion, new equipment, inventory and working capital. **Underwriter**—S. D. Fuller & Co., New York.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Tire & Rubber Co.
Nov. 18 filed 110,189 shares of 5½% cumulative preference stock (par ($100) being offered in exchange for common stock of Motor Products Corp. at rate of one preference share for each 4¼ shares of Motor Products stock. This offer, which is subject to acceptance thereof by holders of not less than 315,000 shares of Motor Products common stock will expire on Jan. 5, 1955.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Globe Hill Mining Co., Colorado Springs, Colo.
Nov. 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—1¾ cents per share. **Proceeds**—For mining purposes. **Office**—336 Independence Bldg., Colorado Springs, Colo. **Underwriter**—Al. J. Johnson, same city.

Green Mountain Uranium Corp. (1/14)
Nov. 30 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office**—618 Rood Ave., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gunsite Butte Uranium Corp.
Oct. 25 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—36 West Broadway, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same address.

★ **Highland Uranium, Inc., Casper, Wyo.**
Dec. 13 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—208 Turner-Cottman Bldg., Casper, Wyo. **Underwriter** — Casper Brokerage Co., Inc., Henning Hotel Bldg., Casper, Wyo.

★ **Hilton Hotels Corp., Chicago, Ill.**
Dec. 23 filed $7,978,900 of 15-year convertible debentures, due Jan. 1, 1970, and $31,915,600 of 15-year debentures due Jan. 1, 1970, to be offered to certain holders and former holders of common stock of Hotels Statler Co., Inc. on the basis of $10 principal amount of convertible debentures and $40 principal amount of non-convertible debentures for each common share held. **Price**—At 100% of principal amount. **Proceeds**—To prepay bank loan and for working capital. **Underwriter**—None.

● **Hycon Mfg. Co., Pasadena, Calif. (1/20-25)**
Dec. 17 filed 120,000 shares of 5½% cumulative convertible non-participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes, including capital improvements and working capital. **Business** — Designs, develops, manufactures and sells special and general purpose electronic test equipment, etc. **Underwriter**—Townsend, Graff & Co., New York.

Imperial Minerals, Ltd. (Canada) (1/17)
Nov. 23 (Regulation "D") 830,000 shares of common stock (par $1). **Price**—36 cents per share. **Proceeds**—For mining activities. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Income Fund of Boston, Inc. (1/17-18)
Dec. 2 filed 800,000 shares of common stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds**—For investment. **Underwriter**—Hayden, Stone & Co., New York.

International Bankers Life Insurance Co.
Sept. 29 (letter of notification) 12,500 shares of common stock to be offered for subscription by stockholders of record Sept. 20, 1954 at rate of one new share for each share held. **Price**—At par ($10 per share). **Proceeds**—For addition to capital and to be invested in appropriate securities. **Office**—Continental Life Building, Fort Worth, Texas. **Underwriter**—None.

International Spa, Inc., Reno, Nev.
Nov. 23 filed 12,000 shares of common stock (no par). **Price**—$500 per share. **Proceeds**—For land, construction, working capital, etc. **Underwriter**—None.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share, and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

Investors Group Canadian Fund Ltd., Winnipeg, Canada
Dec. 13 filed 3,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment principally in stocks of Canadian industries. **Organized**—In November 1954 by Investors Diversified Services, Inc., as a special type of mutual investment company. **Underwriter**—None.

Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

★ **Jewell Uranium Co., Salt Lake City, Utah**
Dec. 16 (letter of notification) 7,500,000 shares of common stock (par two cents). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—326 S. 3rd St., Salt Lake City, Utah. **Underwriter**—None.

Justheim Petroleum Co., Salt Lake City, Utah
Dec. 9 (letter of notification) 2,650,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For oil and mining expenses. **Office**—318 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

Kemper Thomas Co., Cincinnati, Ohio
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **Underwriter**—None.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Oil & Uranium Co., Denver, Colo.
Nov. 19 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 250 Equitable Bldg., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

● **Life Insurance Investors, Inc., N. Y.**
Dec. 17 filed 1,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A diversified management investment company. **Underwriters**—White, Weld & Co., New York, and J. C. Bradford & Co., Nashville, Tenn. **Offering**—Expected latter part of January.

Lincoln Uranium Corp., Reno, Nev.
Nov. 5 (letter of notification) 5,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—McCoy & Willard, Boston, Mass.

★ **Little Loans Corp., Phoenix, Ariz.**
Dec. 13 (letter of notification) $100,000 of series C cumulative subordinate debentures dated Dec. 15, 1954 (bearing no interest until maturity). **Price**—At par (in denominations of $1,000 each). **Proceeds**—To retire bank borrowings. **Office**—243 N. First Ave., Phoenix, Ariz. **Underwriter**—None.

Lucky-Custer Mining Corp.
Dec. 7 (letter of notification) 50,967 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Office**—329 Yates Bldg., Boise, Ida. **Underwriter**—Ernest Leroy Bevis, 1414 Arthur St., Caldwell, Ida.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

Marine Midland Corp., Buffalo, N. Y. (1/6)
Dec. 9 filed 407,000 shares of cumulative preferred stock to be offered for subscription by common stockholders of record Jan. 5, 1955, on the basis of one preferred share for each 18 shares of common stock held. Rights will expire on Jan. 24. **Price**—At par ($50 per share). **Proceeds**—For investment in additional capital stock of subsidiary bank, to repay bank loans and for other corporate purposes. **Underwriters**—The First Boston Corp.; Union Securities Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; and Granbery, Marache & Co.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

● **Merritt-Chapman & Scott Corp.**
Dec. 21 filed 3,018,567 shares of common stock (par $12.50) to be offered in exchange for outstanding stock of New York Shipbuilding Corp., Devoe & Raynolds Co., Inc., Newport Steel Corp., Marion Power Shovel Co., Osgood Co. and Tennessee Products & Chemical Corp. on the following basis: 675,549 shares to holders of the 540,439 outstanding shares of common stock (par $5) of Tennessee Products & Chemical Corp., at the rate of 1¼ shares for each share of common stock of Tennessee; 755,105 shares to holders of the 453,063 outstanding shares of class A stock (par $2) of Devoe & Raynolds Co., Inc. at the rate of 1⅔ shares for each share of class A stock of Devoe; 242,700 shares to holders of the 182,025 outstanding shares of class B common

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stock (par $1) of Devoe, at the rate of 1⅓ shares for each of class B common stock of Devoe; 1,290,252 shares to holders of the 1,290,252 outstanding shares of common stock (par $1) of New York Shipbuilding Corp., at the rate of one share for each share of common stock of N. Y. Shipbuilding; 27,907 shares to holders of the 58,605 outstanding shares of common stock (par $1) of Newport Steel Corp., not owned by Merritt, at the rate of one share for each 2.1 shares of common stock of Newport; 26,114 shares to holders of the 17,409 outstanding shares of common stock (par $10) of Marion Power Shovel Co., not owned by Merritt, at the rate of 1½ shares for each share of common stock of Marion; and 940 shares to holders of the 1,410 outstanding shares of class B common stock (without par value) of the Osgood Co., not owned by Merritt or Marion, at the rate of one share for each 1½ shares of class B common stock of Osgood.

Mi-Ame Canned Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

● **Mid-Continent Uranium Corp. (1/17-18)**
Nov. 26 filed 1,562,500 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploratory operations, machinery and equipment, and for working capital and unforeseen contingencies. **Underwriter**—General Investing Corp., New York.

Military Investors Financial Corp.
Dec. 1 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—2310 Main St., Houston, Texas. **Underwriter**—Cobb & Co., Inc., same city.

Missouri Utilities Co., Cape Girardeau, Mo.
Dec. 20 filed 27,420 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—May be Edward D. Jones & Co., St. Louis, Mo., who underwrote previous common stock financing.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

★ **Nash Finch Co., Minneapolis, Minn.**
Dec. 6 (letter of notification) 1,000 shares of common stock. **Price**—At maximum of $18.50 per share. **Proceeds**—To Willis King Nash, the selling stockholder. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn.

★ **National Can Co.**
Dec. 22 filed $4,500,000 of 5% convertible subordinate income debentures due Jan. 1, 1976 to be offered for subscription by common stockholders. **Price**—At par. **Proceeds**—To acquire stock of Pacific Can Co. **Underwriters**—Bear, Stearns & Co. and A. C. Allyn & Co. Inc., both of New York.

New Britain Gas Light Co.
Dec. 15 (letter of notification) 8,572 shares of common stock (par $25) to be offered for subscription by stockholders. **Price**—$26 per share. **Proceeds**—To repay bank loans. **Office**—35 Court St., New Britain, Conn. **Underwriter**—None.

New England Power Co. (1/18)
Dec. 13 filed $25,000,000 of first mortgage bonds, series F, due Jan. 1, 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 18, 1955.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

New York Shipbuilding Corp.
Dec. 6 filed 74,925 shares of common stock (par $1) to be offered in exchange for 374,624 shares of common stock (par five cents) of Highway Trailer Co. at rate of one share of Shipbuilding stock for each five shares of common stock of the Trailer company.

Norfolk & Carolina Telephone & Telegraph Co.
Nov. 10 (letter of notification) 2,000 shares of common stock (par $100) to be offered for subscription by stockholders. **Proceeds**—To repay loan. **Office**—Elizabeth City, N. C. **Underwriter**—None.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

● **Northern Chemical Industries, Inc. (12/31)**
Dec. 10 filed $5,000,000 of 15-year 5½% subordinate debentures due Dec. 1, 1969, and 100,000 shares of common stock, class B (no par) to be offered in units of $1,000 of debentures and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For construction expenditures and working capital. **Office**—Searsport, Me. **Underwriter**—White, Weld & Co., New York.

Onego Corp., Uniontown, Pa.
Dec. 8 filed 150,000 shares of capital stock (par $1). **Price**—$3.50 per share. **Proceeds**—To repay bank loans and indebtedness to company officials; to pay balance of purchase price of New Mexico property; to purchase equipment and wells; and for working capital. **Underwriter** — Langley-Howard, Inc., Pittsburgh, Pa., on a "best-efforts" basis.

Oroco Oil & Gas Co.
Nov. 18 filed 520,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay outstanding debts and for drilling operations and other general corporate purposes. **Office**—Albuquerque, N. M. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas.

Paraderm Laboratories, Inc.
Nov. 12 (letter of notification) 250,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—415 Congress St., Portland, Me. **Underwriter** — Sheehan & Co., Boston, Mass.

Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah.

Pay Day Uranium Co., Las Vegas, Nev.
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—230 Fremont St., Las Vegas, Nev. **Underwriter**—Allied Underwriter Co., the same city.

● **Pennsylvania Power & Light Co.**
Dec. 2 filed 65,455 shares of common stock (no par); 858 shares of 4.40% cumulative preferred stock (par $100); 5,378 shares of 3.35% cumulative preferred stock (par $100); and 4,032 shares of 4½% cumulative preferred stock (par $100) being offered in exchange for securities of The Scranton Electric Co. on the following basis: (a) one share of Pennsylvania common stock for each two shares of Scranton common stock; (b) one share of Pennsylvania 4.40% series preferred stock for each share of Scranton 4.40% cumulative preferred stock; and (c) one share of Pennsylvania 3.35% series preferred stock for each share of Scranton 3.35% cumulative preferred stock, or, at the election of the Scranton shareowners, for each share of Scranton's 3.35% cumulative preferred stock, two shares of Pennsylvania's common stock, or for each lot of four shares of Scranton 3.35% cumulative preferred stock, three shares of Pennsylvania's 4½% preferred stock. Pennsylvania owns approximately 91% of the preferred stock and 91% of the common stock of Scranton.

★ **Petroleum Reserves, Inc., New York**
Dec. 27 filed $7,500,000 of 4% debentures due 1970, 100,000 shares of 5% preferred stock (par $25) and 1,000,000 shares of common stock (par 10 cents) to be offered in units of $75 principal amount of debentures, one share of preferred stock and 10 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of properties. **Underwriter**—William A. M. Burden & Co., New York.

Phillips Screw Co., New York
Dec. 3 (letter of notification) an undertermined number of shares of capital stock (par 10 cents) being offered for subscription by stockholders of record Dec. 16 on the basis of one new share for each 4½ shares held (with an oversubscription privilege); rights to expire on Jan. 14. **Price**—$3.75 per share. **Proceeds**—For working capital of subsidiary. **Office** — 580 Fifth Ave., New York 36, N. Y. **Underwriter**—None. **Subscription Agent**—United States Trust Co., New York.

★ **Pineco Uranium Corp., Salt Lake City, Utah**
Dec. 16 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—1½ cents per share. **Proceeds** — For exploration and development expenses. **Office**—50 Richards St., Salt Lake City, Utah. **Underwriter**—Pioneer Investment Co., same address.

Poly-Seal Corp.
Dec. 8 (letter of notification) 40,000 shares of capital stock (par 10 cents) to be offered for subscription by stockholders on a one-for-five basis. **Price**—$1.75 per share. **Proceeds**—For machinery and equipment and working capital. **Business** — Manufactures and sells plastic screw-cap closures. **Office**—405 Lexington Avenue, New York, N. Y. **Underwriter**—None.

★ **Price (L. B.) Mercantile Co., St. Louis, Mo.**
Dec. 13 (letter of notification) 11,428 shares of common stock (par $25) to be offered for subscription by key employees. **Price** — $25.50 per share. **Proceeds** — For working capital. **Office**—4702 Olive St., St. Louis, Mo. **Underwriter**—None.

Primadonna Hotel, Inc., Reno, Nev.
Dec. 8 filed 2,330 shares of class A common stock and 9,260 shares of class B common stock to be offered in units of one class A and four class B shares only to persons approved by the Nevada State Tax Commission. **Price** — $500 per unit. **Proceeds** — To construct eight-story hotel at 237-241 No. Virginia St., Reno, Nevada. **Underwriter**—None.

Public Service Electric & Gas Co. (1/12)
Dec. 22 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for construction program. **Underwriters**—Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co.

★ **Rainier Telephone Co., Rainier, Wash.**
Dec. 14 (letter of notification) $85,000 of 5½% 20-year sinking fund bonds due Dec. 1, 1979. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To purchase assets of Methow Valley Telephone Co., refund mortgage debt, and for working capital. **Underwriter**—Wm. P. Harper & Son & Co., Seattle, Wash.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

Rolon Tire Chain Corp., Denver, Colo.
Oct. 27 (letter of notification) 60,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For increased inventory, working capital, sales and production expenses, etc. **Office**—150 Tejon St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., same city.

★ **Ross (J. O.) Engineering Corp.**
Dec. 27 (letter of notification) 12,400 shares of common stock (par $1). **Price**—At market (around $15 per share). **Proceeds**—To selling stockholders. **Underwriter**—Granbery, Marache & Co., New York.

Rushmore Uranium & Oil Corp.
Dec. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses of uranium and oil properties. **Office**—618 6th St., Box 8, Rapid City, S. D. **Underwriter**—Philip Gordon & Co., Inc., New York.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

Savage Industries, Inc., Phoenix, Ariz.
Dec. 10 (letter of notification) 12,600 shares of cumulative convertible preferred stock (par $1). **Price**—$20 per share. **Proceeds** — For expansion and working capital. **Underwriter** — Pacific Coast Securities Co., San Francisco, Calif.

Seven Up Bottling Co. of Los Angeles, Inc. (1/10)
Dec. 14 filed 19,767 shares of capital stock (no par) to be offered for subscription by common stockholders of record Jan. 10, 1955 at rate of one new share for each four shares held. **Price**—$32.50 per share. **Proceeds**—For expansion program. **Underwriter** — Quincy Cass Associates, Los Angeles, Calif.

★ **Sierra Petroleum Co., Alhambra, Calif.**
Nov. 12 (letter of notification) 50,000 shares of common stock, of which 20,000 are to be issued to Ziegler Exploration Co. for completing well. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to petroleum activities. **Office** — 3052 W. Valley Blvd., Alhambra, Calif. **Underwriter**—None.

Silver Pick Uranium, Inc., Reno, Nev.
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Slick Rock Uranium Development Corp.
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended. **Price**—10 cents per share. **Proceeds**—For development and exploration expenses. **Office**—Newhouse Hotel, Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

Southeastern Surety Co., Tallahassee, Fla.
Dec. 9 (letter of notification) 7,897 shares of common stock (par $15). **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and Leedy, Wheeler & Alleman, Inc., Orlando, Fla.

Stanley Aviation Corp.
Dec. 14 (letter of notification) 10,500 shares of common stock (par 10 cents). **Price**—$16.66 per share. **Proceeds**—For working capital. **Office**—Buffalo 25, N. Y. **Underwriter**—None.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

★ **State Fire & Casualty Co., Miami, Fla. (1/13)**
Dec. 23 filed 125,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of class A and class B common stocks at rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—To enable company to expand its business. **Underwriter** — A. M. Kidder & Co., New York, N. Y., and Miami, Fla.

Stinnes (Hugo) Corp., New York
Nov. 22 filed $6,000,000 of notes and an unspecified number of shares of common stock (par $5) to be offered in units of $1,000 of notes and an unspecified number

of common shares. **Price**—To be supplied by amendment. **Proceeds**—For retirement of 7% debentures of Hugo Stinnes Industries, Inc., due 1946. **Underwriters**—Halsey, Stuart & Co. Inc. and A. G. Becker & Co. Inc., Chicago and New York.

• Stylon Corp. (1/5)
Dec. 9 filed 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Gearhart & Otis, Inc.; McCoy & Willard; and White & Co.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tarbell Mines, Ltd. (Canada)
Sept. 24 (Regulation "D") 599,760 shares of common stock (par $1—Canadian). **Price**—50 cents per share—U. S. funds. **Proceeds**—For exploration and development expenses and acquisition of property. **Underwriter**—H. J. Cooney & Co., New York.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share **Proceeds**—For exploration and development expenses **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

Texcrete Structural Product Co., Dallas, Texas
Dec. 14 filed 350,779 shares of common stock (par 10 cents) to be offered for subscription by stockholders of Texas Industries, Inc. of record Dec. 10, 1954 at rate of one share Texcrete for each share of Texas Industries then held. **Price**—$3 per share to stockholders and $3.50 to public. **Proceeds**—For expansion and general corporate purposes. **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas, Tex., and Russ & Co., San Antonio, Tex.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City

Thunderbolt Oil Corp., Washington, D. C.
Dec. 8 (letter of notification) 2,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For oil and gas activities. **Office**—1424 K St., N.W., Washington, D. C. **Underwriter**—Coombs & Co., same address.

T. M. T. Trailer Ferry, Inc.
Nov. 23 (letter of notification) $295,000 of 5½% convertible debentures due Dec. 1, 1960 and 29,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—To purchase equipment to retire $50,000 of notes and for working capital.

★ Toledo Edison Co. (1/19)
Dec. 29 filed 400,000 shares of common stock (par $5) and 100,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—358 S. 3rd St. East, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., same city.

Turf Paradise, Inc., Phoenix, Ariz.
Nov. 12 filed 83,334 shares of common stock (par $10) and 83,334 shares of preferred stock (par $20) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To construct racing plant and to repay obligations. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration and development costs. **Office**—424 Judge Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed Co., same city.

United Gas Corp. (1/11)
Dec. 15 filed 170,000 shares of common stock (par $10). **Proceeds**—To Electric Bond & Share Co. This sale will reduce E. B. & S. holdings to less than 10% of United Gas Stock outstanding. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Goldman, Sachs & Co.; The First Boston Corp.; Lehman Brothers. **Bids**—Tentatively expected to be received up to 3:45 p.m. (EST) on or about Jan. 11.

★ United States Plywood Corp. (1/25)
Dec. 22 filed $25,000,000 of 25-year sinking fund debentures due Jan. 1, 1980. **Price**—To be supplied by amendment. **Proceeds**—To redeem $15,000,000 of outstanding debentures and for other corporate purposes. **Underwriter**—Eastman, Dillon & Co., New York.

★ United States Plywood Corp.
Dec. 27 filed memberships in the corporation's Employees' Stock Purchase Plan for 1955, together with 30,000 shares of common stock (par $1), which is the estimated aggregate number of shares purchaseable during 1955 out of the funds created by the deposits of members and the company's contributions. **Underwriter**—None.

★ Universal Check Corp., Baltimore, Md.
Dec. 21 (letter of notification) $25,000 of 10-year 6% class A debentures (denominations $500 each), 50 shares of class A non-voting common stock at $1 per share, $100,000 of 10-year 6% class C debentures (in denominations of $500 each) and 200 shares of class C non-voting common stock at $100 per share. **Proceeds**—For cash reserve to meet operating expenses and/or other obligations. **Office** — 1819 Park Ave., Baltimore, Md. **Underwriter**—None.

★ Universal Major Corp. (Nev.) (1/12)
Dec. 21 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To retire indebtedness and for working capital, etc. **Business**—Manufacture of major home appliances. **Office**—67 East 59th St., New York, N. Y. **Underwriter**—Gearhart & Otis, Inc., New York.

Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For cost of Driller Boy (drilling equipment which company rents out), and working capital. **Office**—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. **Underwriter**—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

★ Uranium Associates, Inc., Denver, Colo.
Dec. 22 (letter of notification) 2,600,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining operations. **Underwriter** — W. Carter Henderson, 227 Forrest Ave., Shreveport, La.

Uranium Corp. of Colorado
Sept. 23 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and development costs. **Office** — 129 East 60th St., New York, N. Y. **Underwriter**—None.

Uranium Discovery & Development Co., Wallace, Idaho
Nov. 16 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For core drilling program upon two groups of claims. **Address**—Box 709, Wallace, Idaho. **Underwriter**—Wallace Brokerage Co., some city.

Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office** 227 N. University Ave., Provo, Utah. **Underwriter**—Bay Securities Corp., New York.

★ Uranium Shares, Inc., Denver, Colo.
Dec. 22 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—3038 Wyandot St., Denver, Colo. **Underwriters**—Kamp & Co., Fred W. Miller & Co. and Mile High Securities Co., all of Denver, Colo.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—420 Felt Building, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). **Price**—Six cents per share. **Proceeds**—For exploration and development expenses. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid-Continent Securities, Inc., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 289, Wallace, Idaho. **Underwriter**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

Washington Natural Gas Co., Clarksburg, Va.
Sept. 20 (letter of notification) 10,000 shares of common stock. **Price**—At the market (estimated at $1.37½ per share). **Proceeds**—To Elizabeth D. Hardman, the selling stockholder. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Wenga Copper Mines, Inc., N. Y.
Nov. 18 (Regulation "D") 900,000 shares of common stock (par five cents). **Price**—30 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Willis E. Burnside & Co., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Virginia Water Service Co.
Dec. 9 (letter of notification) 800 shares of $5 cumulative preferred stock (no par). **Price**—$105 per share. **Proceeds**—For new construction. **Office**—179 Summers St., Charleston, W. Va. **Underwriter**—H. M. Payson & Co., Portland, Me.

Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). **Price**—At market (estimated at 36½ cents). **Proceeds**—To certain selling stockholders. **Office** — 32 Broadway, New York. **Underwriter** — S. B. Cantor Co., New York.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Wilco Oil & Minerals Corp.
Nov. 2 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to oil activities. **Office** — 728 Columbus St., Rapid City, S. D. **Underwriter**—Fenner-Streitman & Co., New York.

William Montgomery Co., Philadelphia, Pa.
Dec. 9 (letter of notification) $150,000 5% registered debenture notes (subordinated) maturing 10 years from date of issuance. **Price**—At par. **Proceeds**—For working capital. **Office**—999 No. Second St., Philadelphia 23, Pa. **Underwriter**—None.

★ Woodland Oil & Gas Co., Inc.
Dec. 21 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment, drilling expenses and working capital. **Office**—42 Broadway, New York, N. Y. **Underwriter**—E. M. North Co., Inc., same address.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

★ Wright Line, Inc., Worcester, Mass.
Dec. 17 (letter of notification) 6,980 shares of class B common stock (par $2.50) to be issued at $5.25 per share to holders of options for 6,420 shares granted Jan. 29, 1954 and at $6.75 per share to holders of options for 560 shares granted Dec. 11, 1954. **Proceeds**—To restore working capital, purchase land and construct new factory building, and for general corporate purposes. **Office**—100 Exchange St., Worcester, Mass. **Underwriter**—None.

★ Wynn Pharmacal Corp.
Dec. 23 (letter of notification) 85,000 shares of class B common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds** — For production, development and sale of company's products, working capital and other corporate purposes. **Office**—5119 West Stiles St., Philadelphia, Pa. **Underwriter**—None.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

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Prospective Offerings

Air-Way Electric Appliance Corp.
Dec. 6 directors approved proposals to increase the authorized common stock (par $3) from 400,000 shares to 1,200,000 shares, and to authorize $5,000,000 of preferred stock to carry a dividend rate of not exceeding 5%, with either a $50 or a $100 par value. Both stock issues are subject to approval of the stockholders. Underwriters—Wm. C. Roney & Co., Detroit, Mich., has handled numerous secondary offerings in the past.

★ Blaw-Knox Co.
Dec. 28 company announced it will start a multi-million-dollar long-range expansion program in 1955 to be paid for through long-term financing which is being arranged.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

Chesapeake & Ohio Ry.
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

★ Chesapeake & Potomac Telephone Co. of Baltimore City (2/1)
Dec. 28 directors authorized issuance and sale of $25,000,000 40-year debentures due 1995. **Proceeds**—To redeem $15,000,000 of 3½% debentures due 1984 at 104.52% and accrued interest on March 7, 1955; and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; White, Weld & Co. **Bids**—Expected to be received on Feb. 1.

Chicago & Eastern Illinois RR.
Sept. 21 company filed an application with the ICC for authority to issue $15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par $40).

Chicago, Rock Island & Pacific RR.
Oct. 28 it was reported that this company may possibly announce a refunding operation soon which will eliminate its preferred stock.

Citizens National Trust & Savings Bank of Los Angeles (1/14)
Dec. 6 it was announced bank plans to issue to stockholders of record Jan. 11 the right to subscribe for 200,000 additional shares of new common stock (par $10) on the basis of two new shares for each five shares held (after proposed stock split to be voted on Jan. 11); rights to expire on Feb. 14. **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

Dallas Power & Light Co. (2/14)
Dec. 8 it was reported company plans to issue and sell $7,000,000 of debentures due 1980. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Wertheim & Co. (jointly); Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill, Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co. **Registration**—Scheduled for Jan. 14. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 14.

★ First Bank Stock Corp., Minneapolis, Minn.
Dec. 21 it was announced corporation plans to offer 361,922 additional shares of capital stock to its stockholders on basis of one new share for each eight shares held. **Price**—To be determined at time of offering (stockholders meeting will be held Feb. 16 to approve issue). **Proceeds**—To increase capital structures of affiliated banks. **Underwriter**—Blyth & Co., Inc., New York.

General Telephone Co. of California
Dec. 15 company applied to California P. U. Commission for authority to issue and sell 200,000 shares of 4½% preferred stock (par $20). **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—May be Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton.

Holly Corp., New York
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing by Holly Uranium Corp. has been arranged to be followed by a public offering early in 1955 after which Holly Corp. plans to distribute part of its holdings of Holly Uranium Corp. stock to its stockholders.

Kansas City Power & Light Co. (2/15)
Sept. 15 it was announced that company plans to sell $16,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received on Feb. 15, 1955.

★ Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1985. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly). **Bids**—Expected March 15.

★ Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans sale of 60,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co. Inc.; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected March 15.

Missouri Natural Gas Co.
Nov. 8 it was reported early registration of about 110,000 shares of common stock is expected. **Price**—May be around $8 per share. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★Missouri Pacific RR. (1/13)
Dec. 27 it was reported company plans to sell at competitive bidding on Jan. 13 an issue of $3,900,000 equipment trust certificates, series ZZ, due annually to 1970, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Montreal (City of)
Dec. 20 it was announced that sale of an issue of $35,000,000 of debentures is planned on the American market. It is tentatively proposed that conferences with investment bankers will be held in New York on or about Jan. 10. Probable bidders: Shields & Co., Halsey, Stuart & Co., Inc. and Savard & Hart (jointly); Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co., Union Securities Corp. and Blyth & Co., Inc. (jointly); Lehman Brothers.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par $100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

● New York, Chicago & St. Louis RR. (1/11)
Nov. 16 it was announced company plans to sell $36,000,000 of income debentures due Dec. 31, 1989. **Proceeds**—To redeem outstanding 334,166 shares of 6% preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); Smith, Barney & Co.: White, Weld & Co.; Kuhn, Loeb & Co. **Bids** — To be received up to noon (EST) on Jan. 11 at 905 Terminal Tower, Cleveland, Ohio.

North Penn Gas Co.
Dec. 17 it was announced 420,000 shares of common stock (par $5) will soon be offered to public. **Price**—To be named later. **Proceeds**—To The Post Publishing Co., publisher of The Boston Post. **Underwriter**—Eastman, Dillon & Co., New York. **Registration**—Expected early in January.

● Northeastern Steel Corp. (1/20)
Dec. 17 it was announced that company plans a public offering of $9,000,000 of junior securities. **Proceeds** — From sale of stock, together with funds from private placement of $6,000,000 of first mortgage bonds, will be used to finance purchase and enlargement of a plant at Bridgeport, Conn. **Underwriter**—Estabrook & Co., Boston, Mass.

Northern Pacific Ry. (1/18)
Bids will be received by the company up to noon (EST) on Jan. 18 for the purchase from it of $3,960,000 equipment trust certificates dated Jan. 18, 1955, and due $264,000 annually from Jan. 18, 1956 to 1970, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

Penn-Texas Corp.
Oct. 18 authorized capital stock (par $10) was increased by 1,000,000 shares, of which about 220,000 shares are to be publicly offered. **Price** — From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds** — Of the approximately $3,000,000 which would be obtained, about $1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another $1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program. **Offering**—No definite decision yet made.

Pennsylvania RR. (1/6)
Bids will be received by the company in Philadelphi Pa., up to noon (EST) on Jan. 6 for the purchase fro it of $6,810,000 equipment trust certificates, series C to be dated Feb. 1, 1955 and to mature in 15 annual in stalments of $454,000 each from Feb. 1, 1956 to 1970, in clusive. Probable bidders: Halsey, Stuart & Co. Inc Salomon Bros. & Hutzler.

Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue ar sell 100,000 shares of new preferred stock (par $100 **Underwriter**—To be determined by competitive biddin Probable bidders: Harriman Ripley & Co. Inc. ar Central Republic Co. Inc. (jointly); Smith, Barney Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offering**-Expected in first half of 1955.

Rockland-Atlas National Bank, Boston (1/25)
Dec. 15 it was announced company plans (followin 2-for-1 stock split) to offer stockholders of record Jan 25 the right to subscribe for 37,500 additional shares c captial stock (par $10) on the basis of one new shar for each 5 14/15 shares held; rights to expire on Feb. **Price**—To be named later. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp New York.

Sheraton Corp. of America (2/14-18)
Dec. 13 it was reported company may be planning sal of $5,000,000 of debentures (with warrants). **Underwrite**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue additional common stock early next year. **Underwriters**—Hornblower & Weeks, William R. Staats & Co. and Firs California Co.

Southern Pacific Co. (1/5)
Bids will be received by this company up to noon (EST on Jan. 5 for the purchase from it of $8,910,000 equipment trust certificates series PP, due annually to 1969 Probable bidders: Halsey, Stuart & Co. Inc.; Salomo Bros. & Hutzler; Kidder, Peabody & Co.

Texas Electric Service Co. (2/23)
Dec. 20 it was reported company plans to issue and sell $17,000,000 of first mortgage bonds due 1985. **Proceeds**—To redeem $7,000,000 3⅞% bonds and for constructio program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Blyth Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on Feb. 23. **Registration** — Scheduled for Jan. 21.

Transcontinental Gas Pipe Line Corp.
Nov. 24 Tom P. Walker, President, announced that next year's construction program and replacement of bank borrowings made in 1954 will require financing during 1955 of about $85,000,000. While the financing program has not been finalized the company's total long term debt ratio is expected to approximate 70% after the new financing is completed. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp.

● Union Trust Co. of Maryland (1/7)
Nov. 11 it was announced bank plans to offer its stockholders 100,000 additional shares of capital stock (par used to finance purchase and enlargement of a plant $10) on basis of one new share for each three shares held of record Jan. 6; rights to expire Jan. 24. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Meeting**—Stockholders will vote on financing on Jan. 4.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $20,000,000 to $25,000,000 of first mortgage bonds some time next Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

Western Light & Telephone Co., Inc.
Nov. 24 it was announced company plans to issue and sell $3,000,000 first mortgage bonds due 1985 and about 40,000 additional shares of common stock (the latter to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—May be Dean Witter & Co. and The First Trust Co. of Lincoln, Neb. **Offering**—Expected in January. Bonds may be sold publicly or privately, depending on market conditions.

Westpan Hydrocarbon Co. (4/15)
Dec. 11 it was reported Sinclair Oil Corp. will ask for bids for 384,861 shares of Westpan stock about April 15, 1955, if it has not been able to dispose of these holdings before that date. **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co.

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A Midwest Banker Looks Ahead

the huge backlog of construction work of all types. Research has created new fields to absorb most of the surplus labor created by new machinery and better methods in the older lines of industry. Such new developments as atomic power, plastics, glass fibers, antibiotic drugs, frozen foods, improved fertilizers, enlarged aviation activities, and many other new developments have helped to keep our economy from slipping and absorbed labor, thereby creating new purchasing power.

Because of favorable depreciation factors and favorable terms of financing, a large percentage of manufacturing plants are planning expansion. The rapidly expanding chemical industry will spend more than $1½ billion on construction in the new year. Motor manufacturers are expanding and modernizing, and plants having to do with the building trades are spending millions for enlargement and better products. Typical of this is Lone Star Cement Company, that plans to spend $14 million on a two-year expansion program. Union Electric Company of St. Louis is spending $33 million on an atomic energy plant to be run by Mallinkrodt Chemical Co. In Ashtabula, Ohio, Union Carbide broke ground for a $32 million plant to turn out titanium sponge. Kaiser Aluminum will spend $25 million for expansion. In Miami, the new $14 million Fontainebleau Hotel is shooting skyward. Many billions more will be spent to expand transportation, utilities, and pipelines—to say nothing of the billions to be spent for national defense. It is estimated the government will spend $15 to $20 billion a year for some years for military hard goods.

Then, think of the vast amounts to be expended on toll roads, super highways, bridges, airports, and parking facilities, a large part of which should be financed by the sale of revenue bonds. Experts say that expenditures for roads, hospitals, schools, sewers, waterworks, will run over $100 billion the next few years. The physical volume of road building this year will be only 40% above 1930; but cars, trucks, and buses have doubled, and total miles traveled are up 250%. This indicates a long and continued road-building program.

Then, recollect the money to be spent on dams, flood controls, river work, and the initial outlays for the St. Lawrence Seaway. Defense orders were down for the year over 1953 but have been stepped up and will not be reflected in production or employment for some time. Steel production is again 75% to 80% of capacity, and cold rolled sheets are hard to obtain. So general is steel demand that heads of many steel companies are now forecasting a considerable gain in production in 1955. Chairman Fairless of U. S. Steel has stated publicly he expects to see the output next year up from 5 to 10 million tons. Glass and plywood are in short supply; railroad carloadings are picking up; and the Pennsylvania, the country's largest railroad, is in the black again.

The government has provided a favorable atmosphere for business. Some tax reduction, government economies, and an ample money supply, together with a friendly attitude and less interference, have helped in halting inflation and, at least, to nearly maintain the buying power of the dollar the last year.

A year ago at this time, the talk of recession was in the air; and many key business indicators, including industrial production, were pointing downward. Today, the situation is reversed, with business predictions on the favorable side and indicators pointing up. The action of the stock market reflects the confidence of the investor in the future and predicts good business for future months.

In the past 15 years, income has been up more than prices. Since 1930, there has been a 260% increase in disposable income, an increase of only 120% in wholesale prices, and a rise of only 93% in the government's cost of living index. Our people are living better and saving more. As compared to savings of 4% of disposable income in 1939, the citizenry of America will save 8% this year. During October, the sale of U. S. Savings Bonds was the highest for any October in nine years.

Between now and 1956, the Presidential election year, we will probably see the government make every effort to bolster the economy and relieve unemployment. What then would be more natural than to see the government strive for a continuation of relatively easy credit and freer governmental spending? Undoubtedly, we will see a huge program of public works combining Federal, state, and local appropriations. Taxes undoubtedly will remain high. Since the farm program was proven popular in the last election, most people look for a continuation of present policies. Every effort will be made by the government to encourage foreign trade even to an easing of present tariffs. It seems to me that we can also look for a continuation of the FHA legislation which permits long-term loans with little or no down-payment, which has undoubtedly had a sustaining effect on residential construction. The tremendous postwar building boom has made us a national of homeowners, as 57% of families now own their own homes. Even with the great flood of building the past few years, there has been no material increase in vacancies.

Secretary Humphrey and Under Secretary Burgess have stated their desire to shift more short-term credit into long-term but will move slowly lest the longer-term credit would absorb too much short-term credit so essential to business expansion and development.

The rise in consumer spending has been significant in stabilizing retail sales in recent months. Because of this, excess inventories have not developed into much of a problem. Retailers are looking forward to a continued rise in sales and are optimistic because of the higher consumer income. One thing is certain: the consumer has the buying power; and because of higher wages and present income and inheritance tax laws, the buying power is spread more widely than ever before. In 1929, the top 5% of income receivers obtained 34% of total spendable income after tax. By 1946, it had dropped to 18%, and is still lower now.

However, all business, including banking, is plagued by the specter of rising costs and increasing competition. In retail lines, it is necessary to do more business in order to maintain profits, as competition has cut prices and profits through lower profit margins; discount houses; super-markets; self-service; and, in the automobile business, through auction lots and used car places handling new cars at large discounts. Last year, the 100 largest retail trade organizations, based on reported sales, earned an average net after tax of only 2.2 on every dollar of sales. Many contractors are bidding jobs at or under cost to keep their organizations intact. Quite a few industries are overproduced and must slow down until demand picks up again.

Another confirmation of increased competition is the growing number of mergers. Increased capacity, intense competition, and greater pressure for higher wages will make the struggle for volume and profits more keen and create an economy where the best fitted and most aggressive will be the most successful. Many firms, because of declining sales and profits, have merged, with good results in that production has been shifted from less efficient to the more productive plants.

Now — how has banking and business been affected and particularly in the Midwestern area? We are living in a big country; and, fortunately for us, we can have floods and droughts at the same time. Even though the Southwestern area has been thoroughly scorched for several years and many farmers there lost their corn and hay crops and were short of water, the corn crop generally was good and is estimated at 3 billion bushels. This is still a bumper crop; and the soybean crop, which is growing more important every day, is the largest on record. The Southwestern area is still short of water; but recent rains have helped wheat and fall pasture, which are now reasonably good throughout the area. Nearly a million head of stocker and feeder cattle and calves went into the feedlots of nine reporting Corn Belt states in October, and it now looks as though the cattle feeding volume will be the same or slightly larger than a year ago. The feeder purchasers are encouraged by the reasonable margins between cost of replacement stock and the selling price of slaughter steers. Both prices are higher than last year, which encourages the feeder. Beef consumption reached an all-time high in 1953, and recently we have been consuming beef at the rate of 80 lbs. per person annually. Dairying has been profitable this year and should continue so. So — the farmer, as a group, and the cattleman are somewhat better off than in 1953. Perhaps this will result in an increased demand for loans in the rural communities.

Inventories have sunk unusually low; business is picking up; and perhaps more credit will be needed to finance replenishments. A great deal of credit is being absorbed for new roads, residences, and public buildings. The motor manufacturers are getting ready for another big year, which will mean increased consumer credit operations. Automobile credit comprises about 50% of all instalment credit extended in the nation, and 75% of automobiles are bought on time payments. Harlow Curtis of General Motors recently predicted a banner year for G. M. in 1955, and Ford is also expecting to outproduce 1954.

Perhaps we have seen the low in demand and money rates for the time being. Top quality loans have commanded the prime rate, and borrowers of large amounts have resorted to the open market at rates considerably under the prime. Many of these firms that were paying 3¼% in June of 1953 have been enjoying a rate of 1¼% to 1½% on the open market although other commercial loan rates and the interest return on personal loans have held up well. Income from securities in most cases is above last year, reflecting a carry-over from the higher rates of 1953 and better money management in keeping funds working. On the whole, bank earnings should be slightly ahead of last year.

Interest rates are sensitive and change fast nowadays. Remember —just 18 months ago we saw the longest time government 3¼% bond selling below par to yield 3.29, and the long-time 2½% break 90. Most banks were having difficulty taking care of demand, and the prime rate of 3¼% seemed assured.

Just recently we have seen a slight break in government bond prices, and demand is better in many sections. Consumer credit is picking up, and the present interest return looks more stable. Sales competition is intensified, and there is more pressure being extended to lengthen terms and lower down-payments. Now, dealer mortality has been high in both the appliance and motor fields recently, so it seems to me that this is the time for bankers to stick by their guns and require adequate down-payments and reasonable terms. This applies to business handled directly and to credit given to finance companies on customers' notes.

Everything costs more today, and we are financing at much higher price levels. Many homes have doubled in value the past ten years. Television sets cost much more than the radio sets of a few years ago. You can even travel around the world today and pay for it in instalments later. The consumer wants better products and services and is willing to pay for them. The automobile has more than doubled in price the past two decades, and yet the motorist is not satisfied with anything except the latest improvements.

Probably, all these factors add up to the banks' preserving a cautious credit policy, as in most lines, credit terms and down-payments have been stretched to the limit.

We have new desires developing, such as air-conditioning and colored television, automatic vending, and new and more modern fixtures for our homes.

The automatic factory is becoming more and more a reality. As machines take the place of men, great savings are effected. Great strides have been made along these lines in chemical plants and the automobile and airplane industries. Frequently, we see machines developed that will replace from 10 to 35 men, thereby creating great saving to the manufacturer and a lowered cost to the consumer. However, new lines of business created by new human desires and better living have more than absorbed this labor saved by machine operation.

During all this period, deposits have been increasing everywhere and, until this year, the buying power of the dollar declining so that the banks have been able to keep up with loan demand comfortably. Nearly all the requisites of better living can be financed by bank loans over a reasonable period. Think of how much of your loan business is based upon what people want rather than what they have to have. There is no limit to human desires or ingenuity, and upon these factors can be built a limitless volume of production, jobs, payrolls, and loans.

Merchants have reason to be optimistic. Business sentiment is improving daily, and retail sales the past few weeks have been above last year. Employment is increasing daily, and earnings have increased this year. That's what rings the cash register. In addition to this, the buoyancy of the stock market has made many people feel richer and like spending more money. It is encouraging the purchase of more expensive gifts. If merchants have a big holiday season, it will mean reorders and greater confidence in stocking increased inventory.

That is why I think we can approach the end of 1954 with an optimistic outlook on business.

Peter Morgan Offers Loma Uranium Shares

Peter Morgan & Co., New York City, is offering publicly "as a speculation" an issue of 1,000,000 shares of common stock (par 10 cents) of Loma Uranium Corp. at $1.25 per share.

The net proceeds from this financing are to be used largely for exploration and development costs, purchase of mining and transportation equipment, reserve for acquisition of additional properties and for working capital and other general corporate purposes.

Uranium Industries Offering Completed

The recent public offering of 3,000,000 shares of common stock (par one cent) of Uranium Industries, Inc. at 10 cents per share has been completed, all of said securities having been sold, according to Petroleum Finance Corp. of Oklahoma City, Okla., and Farrell Securities Co. of New York City. These shares were offered as a speculation.

The net proceeds of this financing were to be used to exercise option to acquire certain properties, to pay for equipment and exploration work on Temple Mountain and other claims and for working capital and other corporate purposes.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Little sudden in the way of a shift in fiscal and spending policy is expected by most observers as a consequence of the demonstrated unpopularity of "collective security" with the French nation.

If the Eisenhower Administration were to come to acknowledge to itself that its most cherished goal of "collective security" was a chimera, then something drastic in fiscal policy might be expected. This is because fiscal policy is dictated by foreign and defense policy to the tune of nearly two-thirds of the budget.

This is not to predict that President Eisenhower may not finally be disillusioned about the dream world of collective action, and if he does then something violent in the way of a change could be expected. However, there are tremendous personal and political pressures which have the effect of enforcing faith in the new fashioned internationalism religion. So such a violent change soon would come as a great surprise.

Congress probably, in the event of formal French rejection of the latest package of treaties, would be more disposed than the Eisenhower Administration to move away from the labyrinth of widely diffused, dissipated, and extensive foreign commitments.

However, Congress is controlled by the Democrats and the Democrats are handicapped in attempting to capitalize on the failure of the Eisenhower Administration to make the fairy tale of "collective security" into a tangible force for the security of either the United States or the world. For it was largely the Democrats who invented and sold the myth that what was called "isolationism" was the main cause of wars and "international cooperation" by sharp contrast the certain way to peace and security.

Eisenhower Committed

And the implied commitments of the Eisenhower Administration to the skeletal forms and trappings of international cooperation are enormous. It is a heady experience to have foreign Kings, Princes, Queens and Mother Queens, Prime Ministers and Emperors, making pilgrimages to the White House at the clip of twice a week. It does things, perhaps, to a man's ego, and he may forget that basically the errand is to extend a foreign hand outstretched, palm upward.

Furthermore, an acknowledgment that "collective security" does not, as Congresswoman Church once remarked, provide either security or collective action, would force difficult changes — revolutionary — in planning. It would mean withdrawing foreign aid and the support of important foreign market outlets for key U. S. economic activities. It might mean building up a greater U. S. military force as the support of foreign powers was acknowledged as lacking, with greater calls upon youth for service, greater economic stresses and strains at home.

Or the "reappraisal" could involve simply the facing up to the fact that it is an uncertain world and there is no system of international treaties, alliances, or acts of Congress which can give a guaranteed promise of security in the face of such great uncertainty.

This latter obviously would be difficult for the American people to take, with their penchant for believing in formal documents, such as that a written constitution can by itself prevent the coming of an autocratic government, a constitutional amendment make the nation temperate about alcohol, an United Nations charter bring the blessings of peace and prosperity to the world, or debt limits guarantee the solvency of their government.

In any case for either political party (other than the nasty isolationists) or the President to admit all that had been done toward international cooperation had apparently come a cropper, would involve great risks for living political necks. Eisenhower's followers would easier admit that Harry Truman was an angel in shining armor than to admit the late Senator Taft was wrong in his skepticism toward so-called "collective action."

France Long Opposed

If positive international collaboration by France with the U. S. toward "collective security" were a tangible marketable commodity every experienced trader would have been selling it short since May 1952 when the formal pieces of paper known as EDC were first written. For if the people of France wanted it, it would have been ratified quickly, not rejected after more than two years.

Even if President Eisenhower's wrath from the ninth or tenth hole on the Georgia golf course had the effect of causing the French Assembly by a narrow margin to ratify the latest pieces of paper called treaties, the situation would be little changed. After ratification many additional steps have to be taken and the French Parliament obviously doesn't want to take those steps.

In the meantime the Eisenhower Administration can be expected to play with some more collective security blocks. They may attempt to "rearm Germany" until they finally learn that Germany will not want to play Little Dutch Boy to the State Department's dreams with a hostile France on one side and a hostile Russia on the other.

Taft Was Far-Sighted

France's distaste of "collective security" calls to mind an address made around five years ago by the late Senator Taft "for background" to the Overseas Writers Club, a group of journalists for the most part sympathetic to the State Department's policies.

That far back Senator Taft said it was just foolhardy to base a system of security upon France, and without the help of France, continental action appeared doubtful. He said that with nearly a third of France's voters Communist or Communist-sympathizing, he doubted that France ever would fight. On the other hand, if France's Government attempted to put the nation into war against an invading Russia, the Fifth column would utterly paralyze France's military effort, with such a large minority hostile to collaboration.

The hostility showing in the eyes of the gentlemen journalists was something to behold. In their opinion Taft was a depraved, narrow-minded thinker. "What more could you expect of Taft anyway," one of the audience observed afterward.

Expiring Legislation Will Hit New Congress

So much semi-permanent legislation is given a periodic renewal by Congress that a great deal of time is taken with this action. In 1955, Congress will again have this chore.

Among the expiring acts are the Defense Production Act, which gives the Office of Defense Mobilization, the materials stockpile, and power to allocate raw materials, their legal standing. FHA's Title I providing for insurance of loans to improve and modernize houses, also expires. The terminal date of both acts is June 30, 1955.

On this date the Small Business Administration Act also expires. It may be taken for granted that Congress not only will renew this agency's legal existence, but grant it more funds.

Administration sources have already indicated they want an extension of the higher rates of excise and corporation income taxation which under present law expire April 1.

S & L's Bid For Diversification

When the new Congress meets the Home Loan Bank Board, which supervises the Federal savings and loan system, is expected to put in a bid with Congress for permission for these associations to broaden their investments and also to broaden the use of S & L shares for other investment purposes.

The Board wants permission for S & L's to invest in municipal securities, and to permit them to buy housing and housing sites. It will also be proposed that S & L shares be made lawful investments for public funds, and for the investment of funds of national banks. Finally, the HLBB would make the obligations of the Home Loan Banks eligible security for 15-day advances from the Federal Reserve Banks.

Come And Get It

Now is the time for every good citizen to run to the Federal Housing Administration to get every one of the hundreds of benefits possible. FHA has a new aggressive "public relations" policy. Among its many activities are proposed "radio spot announcements."

For instance, there are four proposed spot radio announcements in one issue. One advertises that under one section of FHA maybe a fellow could get a low-cost FHA loan where standards are lower than in other areas. Or "if your income is limited" you can do it. And "the terms of FHA-insured mortgages for the purchase of existing properties are more liberal than they ever have been before." Or if one has an "outmoded and drab kitchen sink," or "your heating system is in need of repair or replacement," just go to Uncle Sammy's agent, FHA.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Twenty-five years with Broadbottom and Bubbledome and what do they give me — A watch? — No! — An alarm clock!"

Business Man's Bookshelf

Charting a Course for Tariff Policy—A Digest of a Statement on National Policy—Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. (paper) — Single copies without charge—Up to 25 additional copies of the full statement 25c each; bulk rates on request

Domestic Airline Industry — Financial study with special reference to American Airlines Inc. and Capital Airlines, Inc. — Henry Beecken & Associates, 1333 G Street, N. W., Washington, D. C.—$20 per copy

Employee Understanding and Teamwork for Greater Productivity — John P. Troxell — National Association of Manufacturers of the United States of America, 2 East 48th Street, New York 17 N. Y.—$1.00

Foreign Economic Policy for the United States, A — Clarence B. Randall—University of Chicago Press, Chicago 37, Ill. (paper)